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# Daily Report

**LAST ISSUE**

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**LAST ISSUE**

# Latin America

FBIS-LAT-96-147
Tuesday
30 July 1996

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# Daily Report
## Latin America

*FBIS-LAT-96-147* *30 July 1996*

CONTENTS

**CARIBBEAN**

**Cuba**

Cuba: Alarcon Interviewed on UN Security Council *[Havana TV]* ..... 1
Cuba: Fidel Castro To Visit Russia, Ecuador in Aug *[Madrid EFE]* ..... 5
Cuba: Alarcon Accuses U.S. at UN Security Council *[PRENSA LATINA]* ..... 5
Cuba: U.S. 'Manipulation' of UN Security Council Reported *[Havana Radio]* ..... 6
Cuba: Commentary on U.S. Use of 'Subversive Journalism' *[Havana Radio]* ..... 6
Cuba: Commentary Views UNSC Resolution on 24 Feb Incidents *[Havana Radio]* ..... 6
Cuba: Castro Gives Moncada Barracks Anniversary Speech *[Havana Radio]* ..... 7
Cuba: Condolences Expressed; Olympics Organizers Blamed *[PRENSA LATINA]* ..... 17
Cuba: Russian Duma Chairman Arrives for Moncada Event *[Havana Radio]* ..... 18
Cuba: Russian Duma Chairman Visits, Views Ties *[PRENSA LATINA]* ..... 18
Cuba: Russian Duma Speaker on Castro Speech, Ties *[PRENSA LATINA]* ..... 19
Cuba: Russian Duma Chairman Concludes 'Successful' Visit *[Havana Radio]* ..... 19
Cuba: Alarcon Meets L.A., Caribbean Ambassadors at UN *[Havana Radio]* ..... 20
Cuba: Minister on Resuming Diplomatic Ties With Paraguay *[Havana Radio]* ..... 21
Cuba: Robaina Leaves For Chile With Cuban Businessmen *[Havana TV]* ..... 21
Cuba: Raul Castro Presides Over Pioneer Congress Session *[Havana TV]* ..... 21
Cuba: Politburo Members' Activities Through 25 Jul *[PRENSA LATINA, etc.]* ..... 22

**MEXICO**

Mexico: Colombia, Mexico Discuss Legal Assistance Treaty *[EL FINANCIERO 23 Jul]* ..... 23
Mexico: Military Ambushed by 'Narcos' in Jalisco *[LA JORNADA 23 Jul]* ..... 24
Mexico: Jalisco Governor Seeks Army Anti-Crime Aid *[LA JORNADA 15 Jul]* ..... 25
Mexico: Lozano Seen Target of 'Narcos,' PGR Groups *[LA JORNADA 24 Jul]* ..... 26
Mexico: Zapopan Ambush Probe Transferred to PGR *[LA JORNADA 24 Jul]* ..... 27

**CENTRAL AMERICA**

**Honduras**

Honduras: 'Barracks Coup' Said Foiled 27 Jul; 4 Arrested *[LA TRIBUNA 29 Jul]* ..... 28
Honduras: Armed Forces Note 'Tacitly' Admits Coup Attempt *[ACAN]* ..... 28

**Panama**

Panama: Talks on U.S. Bases May Violate Treaties *[EL UNIVERSAL 28 Jul]* ..... 29
Panama: Adviser Says Country Ready To Negotiate Bases *[EL UNIVERSAL DE PANAMA 29 Jul]* ..... 29
Panama: Law Professor Says Canal Bill Unconstitutional *[EL UNIVERSAL DE PANAMA 28 Jul]* ..... 30

**SOUTH AMERICA**

**Argentina**

Argentina: Cavallo Views Removal as 'Intelligent' Decision *[TELAM]* ..... 31
Argentina: Economy Minister-Designate Outlines Tasks *[Buenos Aires TV]* ..... 32

Argentina: Fernandez Plans To Collect More, Spend Less *[CLARIN 29 Jul]* ..... 35
Argentina: Menem Speaks At Fernandez' Swearing In *[Buenos Aires TV]* ..... 36
Argentina: Stock Market Volume High, Up 3.5 Percent *[TELAM]* ..... 37
Argentina: Industry Confederation Supports Stability *[TELAM]* ..... 37
Argentina: Industrial Union Supports Program, New Minister *[NOTICIAS ARGENTINAS]* ..... 37
Argentina: Alemann Questions Economic Policy *[LA PRENSA 21 Jul]* ..... 38
Argentina: Editorial Views Fiscal Measures *[CLARIN 20 Jul]* ..... 39
Argentina: Congress Blamed For Imbalance of Powers *[LA NACION 22 Jul]* ..... 39
Argentina: Tensions Within Administration Discussed *[LA NACION 21 Jul]* ..... 40

**Bolivia**

Bolivia: Talks With Peru on Sea Outlet Inconclusive *[La Paz Radio]* ..... 41
Bolivia: Presidency Minister Evaluates Programs *[PRESENCIA 21 Jul]* ..... 42
Bolivia: Minister Views Cocaine Shipment to Russia *[La Paz Radio]* ..... 43
Bolivia: News Summary for 25 Jul *[Social Communications Ministry WWW]* ..... 43

**Brazil**

Brazil: Cardoso: 'Tranquillity' Over Cavallo's Resignation *[Brasilia Radio]* ..... 44
Brazil: Mercosur Members Submit Agenda to Commerce Group *[GAZETA MERCANTIL LATINOAMERICANA 21-27 Jul]* ..... 44
Brazil: Editorial Views World Bank's 'Brazil Cost' *[GAZETA MERCANTIL 24 Jul]* ..... 45
Brazil: Commentator Disputes Economic 'Good News' *[FOLHA DE SAO PAULO 24 Jul]* ..... 46
Brazil: Disadvantages of Economic Opening Viewed *[FOLHA DE SAO PAULO 23 Jul]* ..... 46
Brazil: FHC Seeks To Exempt Exports From ICMS in 1997 *[FOLHA DE SAO PAULO 24 Jul]* 47
Brazil: Government's Export Exemption Discussed *[FOLHA DE SAO PAULO 25 Jul]* ..... 48
Brazil: Kandir Rebuts Charges of Favoring PSDB Allies *[FOLHA DE SAO PAULO 25 Jul]* .. 48
Brazil: Biggest Recipients of Government Funds Named *[FOLHA DE SAO PAULO 25 Jul]* .. 49
Brazil: Success of Special Congressional Session Noted *[FOLHA DE SAO PAULO 25 Jul]* ... 50
Brazil: Interest in Administrative Reform Reversed *[FOLHA DE SAO PAULO 25 Jul]* ..... 51

**Chile**

Chile: Cuban FM Arrives, Criticizes Helms-Burton Law *[Santiago TV]* ..... 51
Chile: Insulza Views Talks With Bolivia on Sea Access *[EL MERCURIO 25 Jul]* ..... 51
Chile: 'Comando Bautista B' Group Claims Bombing *[Santiago TV]* ..... 52
Chile: Mineworkers, Government Sign Agreement; Strike Ends *[Santiago TV]* ..... 52
Chile: Frei Calls For Strengthening Development, Equity *[EL MERCURIO 26 Jul]* ..... 52
Chile: Banks Take Measures Against Money Laundering *[LA TERCERA DE LA HORA 26 Jul]* 52
Chile: Public Servants Banned From Campaign Activities *[EL MERCURIO 24 Jul]* ..... 53

**Colombia**

Colombia: Communications Minister Turbay Resigns *[Santa Fe de Bogota TV]* ..... 53
Colombia: FM Says U.S. Visit 'Not a Failure' *[Santa Fe de Bogota Radio]* ..... 53
Colombia: Defense Minister Visits U.S. To Foster Ties *[Santa Fe de Bogota Radio]* ..... 54
Colombia: Samper Interviewed on Economic Opening *[Santa Fe de Bogota Radio]* ..... 54
Colombia: De la Calle Sends Note to Samper on Reform *[EL ESPECTADOR 23 Jul]* ..... 56
Colombia: Peasant Unrest Spreads to Putumayo Department *[Santa Fe de Bogota TV]* ..... 56
Colombia: Situation in Guaviare, Government Steps Viewed *[EL TIEMPO 25 Jul]* ..... 57

**Ecuador**

Ecuador: Moncayo Says Peruvian FAP Chief's Remarks 'Sad' *[Madrid EFE]* ..... 58
Ecuador: Alfredo Adum's Plans as Energy Minister *[EXPRESO 22 Jul]* ..... 58

Ecuador: Alfredo Adum's Behavior 'Disturbing' *[EL COMERCIO 18 Jul]* ..... 59
Ecuador: Emetel Privatization Process Reviewed *[EL UNIVERSO 17 Jul]* ..... 60
Ecuador: Huaoranis View Colonization, Damage to Lands *[EL UNIVERSO 17 Jul]* ..... 62
Ecuador: Oil Pool Cleanup Activities Described *[HOY 24 Jul]* ..... 62

**Paraguay**

Paraguay: Wasmosy Orders General Segovia Boltes Release *[Asuncion TV]* ..... 64

**Peru**

Peru: Several Injured by Bomb Explosion in Lima *[Madrid EFE]* ..... 64
Peru: Colombia's Samper, U.S. Criticized on Visa Affair *[LA REPUBLICA 25 Jul]* ..... 64
Peru: Fujimori on Debt Agreement With Paris Club *[EL COMERCIO 21 Jul]* ..... 66
Peru: Fujimori Says Economy Will Recover From Retraction *[Lima TV]* ..... 66
Peru: Bolivian President Sanchez To Visit 27-28 Jul *[EL COMERCIO 23 Jul]* ..... 67
Peru: Reasons for Co-optation Into Ruling Party Seen *[LA REPUBLICA 20 Jul]* ..... 67
Peru: Commentator Views Shifting Political Alliances *[EXPRESO 21 Jul]* ..... 68

**Venezuela**

Venezuela: Envoy Confirms Samper Planning To Visit *[Caracas TV]* ..... 68

## Cuba

### Cuba: Alarcon Interviewed on UN Security Council

*PA3007050896 Havana Cubavision Network in Spanish 1628 GMT 29 Jul 96*

[Interview with Ricardo Alarcon, president of the National Assembly of the People's Government, by reporter Julio Acanda and Carlos Iglesias and other unidentified reporters; from an unscheduled "NTV" newscast — live]

[FBIS Translated Excerpt] [Acanda] Ricardo Alarcon visited this news room a few hours prior to his departure to the United Nations and explained Cuba's position at that meeting. Now, he has just returned from New York and we have him here again to explain the results of [words indistinct].

[Alarcon] Good afternoon.

[Acanda] Good afternoon and we welcome Carlos Iglesias who was in the delegation reporting on what took place at the UN Security Council [UNSC] discussions.

[Alarcon] I believe we should first note that we still have not had the opportunity to [words indistinct] the speech by the U.S. ambassador.

[Acanda] It seems fine; then we can talk afterward.

[Alarcon] We will talk afterward.

[Begin recording] [UNSC president, in progress] ...a brief right to respond.

[Alarcon] I do not want to take up much of your time, Mr. President and it will not be needed. To have done what the United States considers the UNSC has done, there was really no need to meet. On 20 July, before the investigating team had submitted its report, those same words were heard from the White House. Up to yesterday the UNSC had the opportunity to have made a correct decision in accordance with what the UNSC had said in February. [Words indistinct] if this UNSC had adopted measures, which would have been an intelligent decision, [words indistinct] the International Civilian Aviation Organization [ICAO]. The delegation had been demanding long before the UNSC convened, long before the ICAO met and repeated its lies and distorted the truth without replying to such concrete questions as: Where are the witnesses? Where are your recordings, Madam Ambassador? [words indistinct] Where is the truth [words indistinct]? Why have you, defenders of truth, made such an effort for such a long time to conceal it? Someone was surprised that [words indistinct]. But gentlemen, the specialized [word indistinct] organization, the ICAO, spent four long sessions in two work shifts to analyze the report. But specialists in international civilian aviation did it in a couple of hours, under the pressure, under the manipulation, which you are capable of doing. I believe that evidently one of you two deserve a good rest. Thank you. [end recording]

[Acanda] Well, Alarcon, the response was brief and blunt. Anyway, there have been many assessments on the resolution. I want you to explain Cuba's official assessment on this UN document.

[Alarcon] Look, we have to criticize the manner in which the official resolution itself was left for various reasons. Actually, what should have been done with justice and fairness is having directly criticized the United States itself for being responsible for violating international law, for allowing others to provoke Cuba and allowing violations with airplanes and so on, and for being responsible for the 24 February incident. The UNSC is not going to do this. On the one hand, the UNSC approved the report the investigative team drafted. It did it in a contradictory fashion, because it also approved the ICAO report, which failed to approve this team's report. It contained a biased language, which sought to indirectly criticize Cuba. On the other hand, it has to admit, due to the difficulties the United States experienced during this long process of negotiations held in New York, it has to admit the fact that it refers to the basic principle of respect for sovereignty. The states have to admit that their obligation to prevent airplanes violations from their territories against another territory be stressed. All this must continue to be subject of attention for others rather than the UNSC. In other words, it is a resolution that tends to be confusing and [words indistinct] tried to improve for a long time. It is not a text that one could endorse, applaud, or anything else.

From another standpoint, if you take into account, as I recalled in that recording you just played, since 20... [pauses] since February, that same lady you have seen sitting there...

[Acanda, interrupting] Albright.

[Alarcon] Mrs. Albright. She tried to have the UNSC condemn Cuba in February. They could not do it. Then in March, they tried to do it at the ICAO and could not do it either. They tried to do it again in June at the ICAO and could not do it. On 20 June, an assistant state secretary from the White House announced that Cuba is going to be condemned, and in all these occasions — we have to recall this — in all these occasions they said that specific sanctions and measures against the Republic of Cuba would come out of this meeting, which took place precisely on 26 July. There were no explicit condemnation or sanctions.

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There is another thing of which you are well aware. The UNSC is an organization that human beings have a difficult time trying to understand. There was a meeting on 26 July; it could have lasted approximately three hours, maybe less than three hours, because they made the decision in two hours, not including the approximately hour and a half during which I spoke. This is the end; this is what came out. Since approximately 15 July or 17 July, they had been working on what they called informal consultations by the same people you saw there. This time, they have no cameras, no lights, no witnesses and are gathered in a much smaller room, where they are confronting one another, trying to determine what they are going to decide later in public. Cuba certainly does not participate in these consultations. No one else, but the 15 UNSC members, participate.

[First unidentified speaker] We have some footage on all these goings and comings [corretajes] at the UN halls...

[Second unidentified speaker, interrupting] We could start showing them...

[First unidentified speaker, interrupting] In short, this is the UK ambassador arriving. Recall that there were various issues being discussed.

[Alarcon] That is right.

[First unidentified speaker] Many times we see them talking; it is because they were talking about Burundi or Iraq, not about Cuba. Cuba was a no-comment [previous two words heard in English] issue. Is this Burundi? Well, we do not know, because these consultations were informal.

[Alarcon] The German one. [as heard]

[Acanda] You were telling us something about a little room.

[Alarcon] There were presented six or seven versions of the U.S. resolution. This was the fifth one. They presented one just about every day. We could narrate a compendium of the resolution and you would see how it was increasingly deflated, from the U.S. point of view of producing strong and specific results against Cuba.

There is something interesting here: On 25 July, a document that exists and that became known, was presented at one of these private meetings by nine member countries of the UN Security Council. These countries proposed a resolution at this meeting. This resolution was much better, incomparably better balanced. For example, it did not approve the report, but the ICAO Council resolution, it did not criticize Cuba at all, not even indirectly, and it was firmer on the principles matter, let's say. Nine countries! Nine votes are enough to approve resolutions at the Security Council.

[Iglesias] Including two permanent members.

[Alarcon] Yes, specifically those of the Nonaligned, Russia, and China. Nine votes are enough to approve a resolution, but [words indistinct] the United States rejected this, does not accept an opinion that represented a collective point of view, and presented its own, without any support. Nobody supported the United States in that. This is an organization where arbitrariness functions. [8-second break in reception] does not accept this proposal from nine countries and imposes its own. [words indistinct] There are countries that strongly criticized the United States, the U.S. position, and the resolution, but still voted in favor of it.

[Acanda] One specific case is Indonesia.

[Alarcon] Indonesia delivered one of the best speeches [words indistinct] that destroyed the resolution but at the end said that it would vote in favor of that document. There were others who were not as clear as Indonesia, but still what they said did not indicate they would vote in favor of the resolution. Votes are cast one way or another not just because of the merits of a position. The realities of today's world have to be considered. There are ways to exert pressure, to make countries bend. They cannot do this with Russia or China, which are two big powers, two permanent members of the council. These two countries maintained to the end a very clear position, irreproachable.

[Iglesias] What do you think will be the consequences of the resolution that was approved?

[Alarcon] In practical terms...

[Iglesias, interrupting] In specific terms, yes.

[Alarcon] In specific terms, it could only open the door for taking to the UN Security Council events related to the issue discussed by the Council, which means that in my opinion this turns the resolution into a positive element for us because it will permit us to take to the Security Council whatever violation of Cuba's air space that may occur, whatever threat or provocation that may be planned by the other side, and much of this is publicly known, all violations of our sovereignty, all U.S. violations of a paragraph of the resolution that reminds the United States of its obligation to put an end to these violations.

That is, in this sense, this reminds me of the resolution drafted by ICAO. Since the ICAO meeting we have presented many complaints to that organization and it will have to analyze them and discuss them. Something like

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this will happen at the Security Council. [Words indistinct] has no weight. The next day some U.S. papers, THE NEW YORK TIMES and THE WASHINGTON POST, reported that the United States had not achieved what it had said it had achieved. [Words indistinct]

In Miami, it was funny because some radio stations attacked and criticized the resolution. They were upset. They said the resolution was closer to the position of the Nonaligned than to that of the United States, and there is some truth to that.

I believe that considering what the United States had said it would do, the big U.S. maneuvering, which begun right after the 24 February provocation, ended on Friday 26 July. On that day it ended. It was finished forever.

[Acanda] It got nothing, practically, judging from what you are telling us.

[Alarcon] Nothing. Of course. From this point of view the result was harmless.

[Iglesias] Alarcon, when Mrs. Albright expressed her disappointment with the resolution...

[Alarcon, interrupting] On the way out.

[Iglesias] ...and this was reported by the Miami media, she said that Western allies did not back the original U.S. proposal because of the Helms-Burton law.

[Alarcon] [Words indistinct] without support. I believe that we have to be careful with that analysis. It is true that the whole world is fed up with U.S. arrogance, with being pushed and imposed extraterritorial laws, all the things the United States does, and this is the way the United States behaves at the UN Security Council, the way it pushes the people, forces us to do things. They completely disregard what other people think. But I do not believe that the lack of support to condemn Cuba, which they did not get; or for the imposition of sanctions against Cuba, which they did not get either; was due exclusively, not even mainly, to the Helms-Burton law. I think that the main thing is that when one analyzes the matter, when one sees the report of the investigations group, one sees there is a great number of lies for which the United States is responsible. There is evidence enough that countries are forced to side with the lie [words indistinct] in spite of hegemony, or arrogance, there is human decency. An African said at the ICAO meeting a brilliant phrase. He said: Gentlemen: the ICAO Council not only has to be fair, it must also look like it is fair.

At that final meeting, this is public knowledge — you have shown some pictures of it — the final resolution was adopted. There is a limit to pressure. It is true that the people dislike the Helms-Burton law, but in this case they were also upset because the United States was forcing them to adopt a specific decision [words indistinct].

The implementation of the Helms-Burton law, as I see it, [20-second passage indistinct] North American.

Since then it has been demonstrated that he did not have any evidence. These are the days when the famous data of the U.S. radars does not exist; these are the days when the United States has not permitted touching or seeing the famous radio communication recordings [words indistinct]. Without much effort I demonstrated that the recording of the radio communications, had been altered by the United States. How? Very simply! We just exhibited a document that Mrs. Albright had distributed at that very building on 27 February. It listed what they said were our radio communications between our planes and the San Antonio control point.

The ICAO report published the Yankee version of this radio communications, the version the Yankees delivered to the investigations team.

Comparing the two things [words indistinct] a little work [words indistinct] the people [words indistinct] February. A two-column one came out in February and May [words indistinct] six minutes are missing. The first six minutes they had are missing; they themselves realized this in February. What did these six minutes include? They clearly indicated where the lightplanes and the ship used as a point of reference were located. Today, they are still talking about a U.S. fishing boat that was by itself fishing tuna near Havana Port, according to what they claimed.

Investigators did not see this ship; they talked to no crew members. In other words, I believe that it does not exist. Maybe they changed the radar ships; they evidently changed the recording. It is enough to see the two Yankee versions: the February one and the May one.

They have allowed no one to see the eyewitnesses. People have heard this, have seen this, are aware of this. Regardless of how strong the American pressure is, it is too difficult to ask a person who has a minimum respect for himself to clearly support the Yankee intention. In addition, [words indistinct] we must prosecute. We have to continue.

Look, right now there is a very interesting thing that I mentioned there.

As for the only thing the North Americans did — suspending the pilot's license of Mr. Basulto, which was appealed before an administrative judge of the Transportation Security Board — on 5 July there was an

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appointment with this judge, in which U.S. inspectors were summoned [words indistinct]. One man was there, the Key West flight supervisor, who explained to a judge that on 17 February — one week prior, one week prior to the incident — he was summoned to a meeting in which he was told that on 24 February — a week later — there was going to [words indistinct] other planes were going to fly to Havana to carry out a political provocation.

I am not saying this; Mr. (?Hooligan), the Key West civil aviation supervisor, said this.

[Acanda] They even tried to revoke a pilot's license...

[Alarcon, interrupting] Then, the same one. A number of witnesses were summoned, and they will continue to explain things like this one, things that will become public knowledge. I said this some time ago.

[Acanda] Does this have to do with the petition you made in New York, with the announcement that Cuba was going to ask the ICAO to investigate the use and abuse of civil aviation in the area? Does this have to do with this?

[Alarcon] Of course it does, because we have to think about the following: despite all the criticisms one could make on this UNSC resolution, the entire process, and the resolution itself, it also implies putting the United States in the spotlight. What is going to happen tomorrow, the day after tomorrow, next week? Are they going to continue with these activities? Will these groups keep operating in this manner?

[Acanda] Is the petition to do with this?

[Alarcon] Cuba is proposing something very tangible: the ICAO must discuss the situation pertaining to the violations of international civil aviation in this area; that is, the undue use of civil aviation, the abuse of civil aviation. Deep down, what we are doing here is to determine if these types of airplanes are civilian planes, according to what the Chicago Convention stipulates or not. They are civilian planes from the standpoint that, as such, they are registered in the United States. The United States allows a group that uses planes for purposes other than transportation of passengers, cargo, or mail, planes that have nothing to do with civil aviation; the United States allows a group devoted to other activities to use planes they have allowed to be registered as civilian planes.

No one accepts the fact that civilian planes, that civil aviation could be attacked. This is a universal principle that everyone accepts. I do not feel criticized when the use of weapons against civil aviation is condemned; of course not, let alone when the condemnation is done because of the misuse of civil aviation.

In the United States there is a group of... [pauses] various groups, who use airplanes, which as we have said many times before and in this particular case, also have a military use. Some of these airplanes were given to these groups by the U.S. Armed Forces and still have the insignias on the tail. The airplanes are registered as civilian aircraft but are dedicated to provocations, sabotage, ends that are contrary to civil aviation. The same way, one cannot allow the use of a small airplane for contraband, carrying drugs [words indistinct]. This is a definite violation of international agreements. This is what is taking place. If we want to really move ahead to solve this problem and not merely use rhetoric, we are proposing to the specialized organization for this, the ICAO, that in a future meeting, it specifically study these activities that take place in the United States of America against the Republic of Cuba. It is the ICAO's obligation to do this; the resolution it approved on 27 June binds it. It requests the states to warn it of anything that may create a future incident, and this is what we are doing. Of course, it is only logical that the UNSC must also be interested in that this takes place. [Words indistinct]

[Acanda] [Words indistinct] speaks of a delay in the Cuban-U.S. migration talks. Is there something to this effect?

[Alarcon] The migration agreements continue to be applied in general in a thorough way. There could be a point over which we have differences or that we feel they are not complying as dutifully as they should. But in general I would say that the agreement is fully in force and is being applied. One of the parts of this agreement is about holding meetings...

[Acanda, interrupting] This is what it refers to.

[Alarcon] There is no mandate that dictates that the meetings have to take place on certain dates. True, some time has elapsed without holding a round of talks. I believe that we should take into account the following. We have no problem in holding such a meeting.

[Acanda] But is it a symptom of any...

[Alarcon, interrupting] No, no; it is meeting with a party, which often is a meeting more out of binding obligation and shame. Anything that these poor people do or fail to do, they are doing so under fear, under the threat of how whatever they do or say will be perceived in certain extreme right circles. I do not know; I hesitate on the idea of proposing to them something that I know will scare them or could affect their digestion or sleep, or heaven knows what. It is shameful. Anyway, they are

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people who use up all their courage in seeking votes, purchasing votes, in collecting dollars for the campaign, and so forth. Perhaps we need to be understanding. Nearly everything in that country is geared towards the November farce, the November carnival. But that does not mean, and this is something that must be kept clear, the fact that we have not met does not mean that there is not a very clear commitment by both sides to comply with this agreement in all its terms. There has not been a meeting in the sense of these rounds we hold with certain regularity, but there has been regular contact between the two parties in the execution of this agreement and will continue this way. [passage omitted]

**Cuba: Fidel Castro To Visit Russia, Ecuador in Aug**

*PA3007014096 Madrid EFE in Spanish 0015 GMT 30 Jul 96*

[FBIS Translated Excerpt] Quito, 29 Jul (EFE) — Ecuadoran painter Osvaldo Guayasim is making preparations to celebrate Cuban President Fidel Castro's birthday on 13 August in Quito, according to a report released today.

The artist himself supervises the painters and masonry workers on the final stretch of the residence where he intends celebrating Castro's 70th birthday. Castro supposedly will come to Quito to attend the 10 August change of presidency between incumbent conservative Sixto Duran-Ballen and populist Abdala Bucaram.

The Cuban Embassy in Quito told EFE that Castro has not confirmed or denied his presence in Quito, although on 7 August he is scheduled to attend the swearing-in of reelected Russian President Boris Yeltsin, in Moscow. [passage omitted]

**Cuba: Alarcon Accuses U.S. at UN Security Council**

*PA2707034096 Havana PRENSA LATINA in Spanish 2227 GMT 26 Jul 96*

[FBIS Translated Text] United Nations, 26 Jul (PL) — Ricardo Alarcon, president of the Cuban Parliament, today accused the United States before the UN Security Council, of being the party most responsible for the incident of 24 February.

On that day two planes registered in the United States and operated by members of a group with headquarters in Miami were downed while violating Cuban air space.

Alarcon said the U.S. authorities have no moral authority to present themselves as zealous defenders of international civil aviation security because they knew all the details of the illegal action that was taking place and permitted it to continue.

The chief of the Cuban delegation to the UN Security Council meeting said Washington falsified and hid information to block the investigations on what happened, using the tactic of condemning Cuba before the International Civil Aviation Organization and the UN Security Council had a chance to rule on the case.

Alarcon pointed to the huge propaganda effort made in that direction and presented a list of evidence on the passive performance of the U.S. authorities in the face of illegal actions by the Brothers to the Rescue organization.

Alarcon said that the United States knew beforehand what the group would do on 24 February, as it admitted in various documents and statements and as was evident on a map made known by the United States — a map on the route followed by the downed planes.

Alarcon proved that the airplanes remained for one hour and 45 minutes in U.S. air space and air corridor, violating the flight plan that had been approved for them, without the U.S. aeronautic authorities calling them to abandon the route to the Cuban capital.

Alarcon said: Those flights had nothing to do with transporting passengers, mail, or cargo, and had much to do with abusing international civil aviation and putting at risk thousands of planes, really civilian planes, that use that region, most of them U.S. planes, he said.

Alarcon noted that the downed planes were previously used by the military and still had the acronym of the U.S. Air Force on their fuselage, which provided the planes to the aforementioned group.

Alarcon noted: It is being suggested that this was a casual, an accidental case, without roots or antecedents, hiding the fact that the United States never adopted measures to avoid these violations and instead encouraged them with its actions.

Alarcon said that the resolution project that was presented called for incorporating with it the ICAO report conclusions that the ICAO Council refused to acknowledge because of its many incongruencies, contradictions, and holes.

Alarcon announced that Cuba has asked the ICAO to analyze in its forthcoming period of sessions, problems related with the abuse and undue use of civil aviation in the area and hopes that all the states will cooperate with the island in demanding that the principles listed in the Chicago Convention article that deals with this, be implemented.

Alarcon concluded by stating: The ICAO Council, in examining this problem, was able to save its prestige and

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avoided becoming a victim of manipulations. It is now up to you to conserve the prestige and the credibility of the Security Council.

**Cuba: U.S. 'Manipulation' of UN Security Council Reported**

*PA2807035596 Havana Radio Progreso Network in Spanish 1700 GMT 27 Jul 96*

[FBIS Translated Text] Cuba has reported the UN Security Council's manipulation by the U.S. Government to obtain a ruling in accordance with Washington's policy of aggression against Cuba.

Despite pressure and maneuvering at the UN Security Council, the U.S. Government has not succeeded in having the Council condemn or penalize Cuba for the 24 February incident in the Cuban airspace. Regarding the resolution that the Security Council approved yesterday on the ICAO [International Civil Aviation Organization] report, Bruno Rodriguez Parrilla, permanent Cuban representative and ambassador to the United Nations, told Radio Rebelde over the telephone why the U.S. Government was unable to have Cuba declared guilty.

[Begin Rodriguez Parrilla recording] First, because Cuba is a country with great prestige and its international policy is known for abiding by the UN Charter principles. In addition, Cuba's general ethical behavior is recognized. Also, the ICAO report is full of gaps and signs of manipulation. This was even observed by the ICAO Council members, who did not endorse this report and instead sent Cuba a copy of an objective resolution — one that abides by international law and does not include a single word to condemn Cuba. [end recording]

Asked about what he thinks the document issued by the UN Security Council represents for Cuba, Rodriguez Parrilla said this:

[Begin Rodriguez Parrilla recording] The most important thing is the remark that the Security Council is abreast of modern times. Nine Security Council members expressed an opinion contrary to the resolution that was finally approved. This resolution was different from the previous one, with which no one agrees and which is the result of pressures and manipulation. In addition, this resolution disagrees with what the U.S. Government wanted: to condemn and penalize Cuba directly. I think both the Security Council's manipulation by the United States and the soundness of the Cuban revolution have been proven. [end recording]

**Cuba: Commentary on U.S. Use of 'Subversive Journalism'**

*PA2807160296 Havana Radio Havana Cuba in Spanish 0000 GMT 24 Jul 96*

["Station commentary" read by Norberto Hernandez during the "Evening Information Review" newscast]

[FBIS Translated Excerpt] Since the triumph of the revolution 37 years ago, the U.S. Government has been encouraging, through financial means, subversion in Cuba and has not even taken the trouble to conceal it. [passage omitted]

For some time now, the imperialists have been trying a ploy to encourage a small group of individuals who have gone along with anti-Cuban propaganda, acting as unauthorized correspondents for U.S. news media, with distorted or simply false information that could be of interest to Cuba's enemies. That openly subversive ploy has been brought out in the open, as it if were something legitimate.

The Cuban Foreign Ministry last week denounced this before local and accredited foreign reporters.

We are talking about the so-called groups of independent reporters who have gone over to the service of their country's enemies by providing information to U.S news media written to suit the taste of counterrevolutionaries and prepared to surprise honest observers in their good faith, to abet conspirators, and to try to depict the Cuban revolutionary government as an enemy of truth.

That is another act of brazen meddling in Cuban domestic affairs and another flagrant provocation that falls within the context of the violations of Cuban airspace, the Helms-Burton law, and the merciless economic blockade that has been censured and rejected by the immense majority of the international community.

Cuba has never opposed the honest practice of journalism, and the international news media have accredited representatives who are treated with the utmost respect and consideration. Cuba rightly rejects the attempt to practice subversive journalism by buying off local collaborators who are just interested in the U.S. dollar.

**Cuba: Commentary Views UNSC Resolution on 24 Feb Incidents**

*PA2907010496 Havana Radio Havana Cuba in Spanish 0000 GMT 28 Jul 96*

[Station commentary; from the "Evening Information Review" newscast]

[FBIS Translated Text] Following feverish maneuvers, including arm-twisting, threats, and promises made

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among the members of the UN Security Council [UNSC], the United States had its draft resolution on the incidents that took place in Cuban airspace on 24 February 1996 approved. That day, two light airplanes coming from bases located in Florida challenged Cuban authorities and violated Cuban airspace, as they had repeatedly done in the past.

Tracking planes from the National Defense downed the two lightplanes, and four crew members of the invading planes died during this action. U.S. authorities took advantage of this incident, for which the United States is to be blamed the most, to attempt to turn the world against Cuba, while obtaining electoral advantages with a sight to the upcoming November general elections.

The Washington government hurriedly convened the UNSC and was able to ask the International Civil Aviation Organization [ICAO] to investigate the incidents and draft a technical report that the UNSC could use as a foundation for an ensuing resolution condemning Cuba for having downed allegedly civilian planes used in a subversive operation against a neighboring country.

Even though the United States did everything it could to have the ICAO render a decision disfavoring Cuba, it failed to achieve its objective, and the document the ICAO drafted was insufficient to openly condemn the Cuban action. Several draft resolutions were issued, because UNSC members refused to heed what was an evident maneuver with open political connotations. Washington's mighty power and influence could have only one draft approved, which, although was more moderate that the first drafts, it nonetheless favored the United States more than it did Cuba.

There were two abstentions: Russia and the PRC, which voiced their reservations on the matter. However, the countries that have the right to veto did not vote against the draft resolution. There were no sanctions against Cuba, and this already constitutes a serious and severe setback for the anti-Cuban policies the United States has implemented, given the stupidity and arrogance that characterize it.

The UNSC was the stage for a new and brilliant speech by Cuban President Ricardo Alarcon, who, for more than an hour, explained the arguments and evidence Cuba has in this case to the UNSC members. The previous consultations by this UN organization were held behind closed doors, and Cuba did not participate, because it is not a UNSC member. However, the details of this singular confrontation triggered by an incident prompted by the United States have been left to history. Had the United States acted according to its own laws and with full honesty, this incident would not have taken place.

No one in the world needs to be convinced that the U.S. Government could have prevented the provocations the counterrevolutionary organization, Brothers to the Rescue, made. It announced well in advance the subversive actions it was planning to conduct against Cuba. On previous occasions, the lightplanes of this organization even overflew the Cuban capital and tossed out subversive pamphlets. We have television footage from the invading planes themselves confirming this, footage that the public has seen.

Cuba acted in legitimate defense of its territorial jurisdiction, as the United States or any other sovereign country would have probably done under the same circumstances. Regarding this issue, it is good to warn that, if the world fails to stop Washington's interventionist and hegemonic policies, which are shown in its actions against Cuba, through tangible actions, a very difficult situation for sovereignty and people's self-determination would be created.

**Cuba: Castro Gives Moncada Barracks Anniversary Speech**

*PA2707155396 Havana Radio and Television Networks in Spanish 2336 GMT 26 Jul 96*

[Speech by President Fidel Castro Ruz on the ceremony marking the 43d anniversary of the attack on Moncada Barracks, at the Calixto Garcia Iniguez Plaza in Holguin — live]

[FBIS Translated Text] Compatriots of Holguin and all Cuba, distinguished guests, relatives and comrades of the Moncada Barracks and Bayamo. We have commemorated 26 July many times following the triumph of the revolution but this time it just happens that this 26 July anniversary coincided with the 100th Olympic Games; and all of us, sports lovers — although many never practice sports — practice the great and honorable sports of work. They are acquainted with harsh physical efforts. [applause]

We all tried to follow, at one time or another, these emotive Olympics where our comrades are struggling. These Olympics are difficult and they are hard; and we realize they are exerting their maximum effort while we realize, as each year goes by, that we must also exert ourselves even more in sports. We see the pride with which our people see the flag being raised for each of their children's victories. Likewise, hundreds of Cuban instructors are working as trainers in almost all the continents; and they will make our victory even more difficult because we cannot be selfish and deny support in this sector.

That is why we make a sacrifice precisely today knowing Rodolfo Falcon was going to swim 200 meters

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in the finals; knowing three boxers will begin, when this event is under way, the boxing matches in which Cubans participate today. Everyone was so excited that we set up some screens at the pioneers' congress every time a Cuban participated.

On this occasion we are not going to do it. If there is some good news perhaps we will report it to you. I told Sierra [not further identified]: Sierra, see if you put up a screen, invent something, so that the people who arrive early are not deprived of the pleasure of the games, especially of the victories.

I know how pleasant it is for the children of this province to have won the host-status for this 26-July celebrations.

For the first time we ceased rotating, as we could call it, the 26 July celebrations' host city and cities began really competing, a tremendous competition throughout the country, to be chosen host city. I believe that as a result of this experience, the incentive effort next year will be even greater, stronger.

It was not difficult at all, I mean easy, to choose the host city. Other provinces competed strongly and it was almost at the very end that the decision was made. The decision was not made based on only one factor, but on many. But the deed of being first in the sugar-production endeavor, of going beyond the goal by at least 15,000 metric tons, and of producing the incredible amount of 510,376 metric tons in the province, which is not the largest of the sugar-producing countries, reaching 80 percent of its historic average and contributing to the harvest with an additional 140,000 metric tons, and not under normal conditions, but in the midst of the spring season, with tremendously heavy rains, the fact that the province reached its objective, that this achievement was made, was, in my opinion, decisive.

Other sugarcane-related activities were not abandoned: the cultivation, the planting, the weeding, surpassing the spring sugarcane planting goal. This is something that made all of us feel really proud.

Since we had been constantly monitoring our precipitation charts, throughout the harvest we were able to determine early on that it would be raining heavily in Holguin. We were also able to determine that the province that reacted the most rapidly, in the least time, to reestablish cutting and production operations was precisely Holguin. This fact was brought to my attention on numerous occasions and it made me feel confident that we would be able to meet the production target we had established.

The weather in the province... [pauses] in several provinces but particularly in two, Las Tunas and Holguin, the weather was just plain ruthless. These conditions were kept closely in mind when the time came for us to describe Holguin's performance as a heroic deed. This province's performance also stood out in several other aspects. As relates to tonnage, during the harvest it was the second province in the country to obtain the lowest production costs. It also occupied the second place as relates to rational use of industrial capacity, in spite of the heavy rains I mentioned a while ago. In addition, Holguin also was able to attain first place in nickel production. As you are all aware, the country's nickel production is in full bloom. [applause]

In part, all of this was accomplished with our own resources, as well as by mean of advantageous agreements we have been able to ensure with foreign corporations. We were able to procure the minimum amount of resources required. Nickel workers responded in such a tremendously positive manner that by the end of this past semester they had already produced 27,000 metric tons and are determined to break all historical nickel production records by the end of the year. [applause, chants of Cuba, Cuba, Cuba].

Holguin's metallurgy industry has shown a phenomenal trend in its performance with adjustments of the sugar combines, all of this at critical moments. By proposing major initiatives this industry has been able to improve old sugar combines, and by applying new techniques it has been able to build much stronger combines that may well produce three times that of the machines that have not been modified.

All of the country's provinces and councils requested the allocation of some of the 300 machines. Were they 300 or 275? 275. I was not very sure of this figure. It was impossible to give each complex a machine because that was not the right thing to do. They had to be fitted with Cuban motors, which are of a much higher quality and more economical than the engines fitted into the former combines, of the Taino type. In addition, the country made an effort to purchase a certain number, several hundred, of very modern and very good machines to assist the old KTP2 machines that had not been converted. But, for the coming sugarcane harvest, this mechanical installation is converting 500 KTP2 into KTP2-1 fitted with some improvements and one of the world's best engines. These engines are powerful and virtually never break down. I remember the old engines used to break down up to three times a day. The new engines are capable of working throughout an entire sugarcane harvest without the need for repair. This is very important. Consequently, we will have 500 of these machines for the next sugarcane harvest. They will be of great help. We will also receive 15 machines of a new model, KTP3, which has many important

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improvements for greater productivity. We will test these 15 machines in a sugar mill in this province. [Words indistinct] The manufacturer is manufacturing a large number of carts and trailers to double the hauling capacity of our tractors. In this way, we will increase our transportation capacity by 7,000,000 or 8,000,000 arrobas daily. Most of this equipment comes from Holguin. They are working in refitting many tractors with engines. These tractors will play an important role because our existing machines are fuel guzzlers. I am not very inclined to mentioning the origin of these machines because we have some friends here, who have honored us with their presence. Their visit has been a great honor.

But I am referring to something that is already known, I am referring... [applause] I am referring to the Duma delegation of the Russian Federation headed by its president. [applause] They also know about these difficulties with certain equipment. Not all, but some of these motors were heavy fuel guzzlers. This is a problem that I believe is being resolved or is trying to be resolved; but now, it is essential for production.

I do not want to advertise either for or against anyone. Now we have open doors to see where the most efficient motors are, the less costly, and more economical. We are not committed to a single brand. We follow this up carefully with tests. We are installing new engines because we have... [pauses] well, I believe we have more than 50,000 tractors from the former USSR and we cannot just purchase anywhere. We do not have the resources and we cannot purchase new equipment that cost three or four times more. This equipment is strong and we know their weaknesses. Not in all of them, but a great majority have problems with their engines. We are studying the market and taking steps to install new engines. But this cannot be done in one or two years.

We need to find the most intelligent solutions to each of these problems. I am also proud that we have a factory that was built with the cooperation of the Russians, where work is done on combine harvesters. And the 26 de Julio factory, which is next door. I was forgetting that they are either manufacturing, assembling, refurbishing, or renovating such important equipment as rice combine harvesters.

Rice, as I have explained on other occasions is becoming increasingly scarce; prices have skyrocketed. As you well know, manual harvesting with an sickle is out of the question because there is no personnel for this. It turns out much more expensive that way than cutting it by machine. We have a rice program that we are pushing ahead in which the Holguin metal working industry plays a decisive role. There are other industries; in Santa Clara, Havana Province, and in other parts [words indistinct]. But the fundamental role is being played by this factory in Holguin. In addition, it has helped all the country's provinces in the question of mechanization, maintaining machines... [applause] Many of these factories, including the one for motors, are in the capital. I am referring to the Taino motors. Hundreds were also used in this harvest and were installed in old combine harvesters. No, these had to be adapted because we did not have motors for the 260-odd combine harvesters used in 1995.

There was exemplary cooperation and all provinces are grateful. I have mentioned three industries. First we have three branches in Holguin.

However, we can mention tourism. They do not have as much as Varadero or any other center, but it has already become the country's third tourism center with approximately 2,000 rooms. [applause] You see what kind of example Holguin has given. The comrade who delivered the hatchet, or one of the comrades who delivered one of the hatchets, contributed, or has contributed $17,000, in dollars, to the public health sector. [applause]

What an example! It is equivalent to more than 400,000 pesos, at the current exchange rate not the one which prevailed one and a half years ago. How much has she given? I would say she has given over 1 million pesos to purchase medicine, milk, and resources for the hospitals. I think she deserves a hatchet, too. Madame, did you receive it or deliver it? [unidentified speaker says: "She received it."] Ah, she received it. You see, I was thinking what should be done. I saw you around here but you were dressed like the others! [applause] I congratulate everyone! [applause] And I particularly congratulate her because she has given a truly extraordinary example. Many have made contributions but hers breaks the records.

Obviously, tourism is being quickly developed in this province; and it is working with an increasing efficiency and good results. The province has worked in the rest of the agriculture sector; it has managed to raise the production of tubers and vegetables a lot. There is talk about the square-shaped plantain, which cost one peso and later cost five cents. They had to send square-shaped plantain to other provinces because the farms yielded a lot. Last year they produced 2.3 million quintals but that is not enough because, though they are self-sufficient to some extent, the province has slightly more than 1 million inhabitants.

In 1996 they will produce, they have produced, more or less 1.7 million, and they intend to reach 3 million quintals in this province. They intend to reach 4

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million next year, and 5 million the next. [applause] I do not doubt that they will do it if they seek new varieties, not only plantains but also other tubers and vegetables. They must seek varieties, a new variety of plantain that is resistant to Sigatoka. This Sigatoka was undeniably brought here by the enemy. You can see an air route through which the black Sigatoka appeared here, because it did not exist in Cuba, throughout Camaguey Province, not throughout, through Camaguey Province. This is a disease brought from abroad by air, using peaceful airplanes, to kill, or try to kill, our people through starvation.

New and good varieties have already been introduced in Holguin and are being produced in the Center for the Production of Legumes. Something similar is being done in other provinces, where they have a better plantain than the (?Bush) variety. It is larger, better tasting, and of a higher quality. There are several varieties [words indistinct], which should be observed closely. We are willing to give the province all the possible support so it can complete its program this year and so it can continue to work as earnestly as it has been working this year. The province can meet its goal even despite a drought. We will have to see how many dams we can put in operation. We will have to resort to water and a certain degree of fertilization to ensure the quantities that are being proposed.

The food industry has grown and has yielded very good results. Mayabe is already one of the country's most prestigious manufacturing plants. In Mayabe we can beer of several brands and of high quality. This beer, which we formerly imported, is sold to tourists and brings foreign currency when it is sold in stores. This beer is of a high quality. People have produced yogurts of various types, such as soybean, which was an excellent solution in the special period in times of peace and is virtually of the same quality as regular milk yogurt.

Holguin has distinguished itself in several lines of its food industry. The province has distinguished itself in the construction industry with several thousands of houses. Also, in the repair of homes, which is very important. It placed first in the province. [applause] Of course, the province stands out, not only in material production lines, of which I might have forgotten some, but in other lines as well, like investments. For instance, we have completed the [words indistinct] plant, capable of producing 240,000 kw. This helps us with the available electrical power, which had been reduced during the special period in times of peace. If we have sufficient fuel, we are assured of completing development plans. We are also working in the second unit and the repair of the other plants to have sufficient electrical power available. The shortage of resources in the first few years of the special period was such that we could not even repair the active plants. Fuel, whose price has increased recently, is another limiting factor. At least we have the capacity. As the result of a beautiful international action, the Holguin International Airport, so important for the tourist development of all the northern area of the province, has been completed.

Much work has been done for education; indexes, results have improved. [applause] The number of teachers for students in class is two teachers. [as heard]. This is the highest or should be among the highest in the world. I am not trying to make a comparison with other countries, but I am comparing it with other provinces. There is just no comparison with other countries. No country in the world has the number of professors and teachers per student that Cuba has. [applause] Cuba is ahead of any developed country. The number of schools has increased; many schools have been repaired, and a special effort has been made during the special period.

Hard work has been performed on hospitals also; you know how this city has grown. I hardly know the city now; I go for a ride and get lost. I tried to go by the (?periquera) and there was none. One hardly knows where roads lead to; either coming or going [laughs]. I said, let's go to the square and I ended up asking a taxi to bring me here. Where is the 20-story building that has been completed? Where is the new Holguin? How is the old Holguin?

I remember when the Lenin hospital was inaugurated. Now it has 1,000 beds. I also remember with regret that this new surgical-clinical hospital should have been completed had it not been for the special period. We were building a series of those hospitals during the special period, before the special period... [applause] Now we have resumed construction of some. We feel the duty, as a prize, as encouragement to the people of Holguin, to make a special effort [applause] to continue this hospital and to have as soon as possible at least 300 beds and go on to 600. We need to see this beautiful hospital because [words indistinct] it is practically finished. We need to find the foreign currency for some of the special construction materials and for the hospital's equipment.

In the public health sector the infant mortality rate reached 8.7 [per 1,000 births]. We thus want to tell all Cubans, all our fellow countrymen, that Holguin has carried out a great effort with the participation of all the people. Without this participation never... [applause] would this event have taken place.

It is encouraging to see what the reaction of our people is during this very difficult time that the country

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is experiencing and [words indistinct]. This means encouragement, motivation, incentives for the remaining provinces so that none of the provinces feel envious of Holguin, but instead recognizes unanimously that the decision to grant Holguin the seat of the 26 July celebrations was well deserved. [applause] I was forgetting to mention something very important: defense. Holguin Province also took first place. [applause]

In making this acknowledgment I have tried not to forget anything or to forget as little as possible. This is an acknowledgement that should be extended to the entire country because the entire country worked and struggled hard: The people of Pinar del Rio, with tobacco; the people of Sancti Spiritus, to speak of another sector; the rice producers of Granma, Camaguey, and Sancti Spiritus. The spirit of the construction workers, their efficiency, is also rising and this is very important to speedily be able to use their abilities, which we need for many things, but especially in tourism, as we get the resources.

The people have answered the call for planting sugarcane, weeding sugar fields, cutting sugarcane.

There are those beautiful scenes of the Holguin people cutting sugarcane by hand and carrying sugarcane loads by hand, in the rain. This is what patriotic fervor means, this is heroism, this is socialism. [applause]

I would like to know in what other place, in what capitalist world, the people are capable of doing the things you, the Cuban people, did. [applause]

The effects were evident. Things were not the same everywhere. It was not possible. I know that the people of Las Tunas did a great effort. By the beginning of April, almost all the sugarcane was already at the former Manati Central, the Argelia Libre Central. They cut all the sugarcane. None was left. This would have been damaging. At the end, 11 or 12 [not further identified] remained. The rains had begun. It was June.

We were able to cut what we did cut thanks, to a certain extent, to the efforts made by the construction workers, who went there to open channels, to build roads, and to do other works to guarantee access to almost 150 million arrobas the province had yet to harvest in April, near the beginning of spring. This is unusual. They cut 140 million arrobas in that period. I know of the effort they made, but productivity dropped with each new rainfall. They kept cutting cane but there was no sense in cutting more.

Fields may give 10,000 metric tons this year, and next year 25,000 metric tons, but the fields would be destroyed. We had to stop. They did not want to stop.

I do not like to give some data, but you have heard information at the international level from the people who trust in Cuba, who want to invest in Cuba, who are prepared to finance some or many of our projects. During the first half of the year the economy grew by 9.6 percent.

The economy had decreased in 1992 and 1993. In 1994 it grew by 0.7. In 1995 it grew 2.5 percent, and it has grown this year during the first semester. However, you must realize that the first half of the year has the benefit of the harvest season. This is why the growth is so big. At the end of the year, the economy should have grown approximately 5 percent. I think this deserves also an Olympic medal. We dedicate the 9.6 percent growth as a greeting — no — as a message, to Messrs. Helms and Burton... [applause] so that they can swallow the message. [applause and chanting]"

We have to continue working hard because that law makes things more difficult, as Lage said on television. Things have been made more difficult. But things were difficult before that law was passed. I will refer to this again a little later on.

Another incredible thing, in spite of the very severe blockade, stumbling blocks, harassment, and threats, the child mortality rate during the first half of the year was 8.2 — the lowest in history for a six-month period.

Education, like health, has improved very much and continues to improve. It is overcoming the greatest difficulties that existed at one point. I have spoken to you about the child mortality rate. There are 27,000 family doctors and in August more than 3,000 doctors will be graduating. This is the estimate. In August the country will have 60,000 doctors. [applause] This is the country with the largest medical service. No other country has something like this, and I am not talking about third world countries. I am speaking about developed, very developed, countries.

They do not have doctors everywhere, at schools, at children centers, or at places of employment, doctors that struggle not only against diseases but against the factors that produce accidents at the workplace.

The number of nurses has increased and the quality of the nurses has improved, having now university level. Some nurses who had retired from work when the national currency was at its worst devaluation point, have returned.

Equipment is being sought, medical attention programs are being provided.

I said this included education and more. Some education data are truly amazing. I have reports saying that 97.5

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percent of all children between six and 14 years of age have gone to school and this happens right in the middle of the special period in time of peace. There are, not less, but a few more schools. There are also 190,000 teachers. This is important. I already said 97.5 percent of children have gone to school. The average number of those who completes their sixth grade is very high, one of the world's highest. Here is another important news. Of every 100 boys who reach the sixth grade, 98.2 enter basic secondary school. And 92.8 percent of those who approve secondary school move on to higher learning. There are programs of one kind or another for all children, not only day care centers and preschool, which includes children from 0 to five years old, but programs to take care of those children.

Regarding material production, indexes similar to those of Holguin province have been obtained. Sugar production was a little under Holguin's figures. I wish everything was similar to Holguin. Sugar production increased by 1,100,000 metric tons, or 33 percent. This is an evident sign of recovery. The nickel production has also been noteworthy. The only source of nickel is in Holguin. The nickel-related work, such as equipment renewal and plant update, has continued in Camarioca. In addition, mines in Mayari continue to be worked on. Of course, this is a national program that will continue in Holguin. I have already mentioned the tobacco and rice production improvement and technical efforts to raise the per-hectare productivity. We are also working on the production of tubers and vegetables. This year we experienced a record production of 8,000,000 quintals of potatoes. Progress is being made in the production of citrus fruits. Fishing has become more efficient. E forts are made so Holguin can hold one of the first places, although fishing is not one of the most important sectors of Holguin's economy.

The country is recovering. Slowly. I always warn against the tendency that may arise, that we have come out of the special period. No! [laughs] We are in the midst of a special period, making enormous efforts in every sense, but under difficult conditions, which have also been publicly explained. I do not have to repeat them — the shortage of hard currency and the problems. There is still an excess of money in circulation, although the peso's exchange rate, which went up to 150 for a dollar is now approximately 22 pesos for one dollar. No economy has achieved such a revaluation of its currency to the degree that we have, with intelligent measures, I would say, without becoming desperate, without going crazy, without becoming irrational, and without falling into the clutches of capitalism! [applause] The deadly clutches of capitalism; the merciless and monstrous clutches of capitalism! These clutches are becoming more merciless and more monstrous.

Even though we adopted one type of measure, then another, and still another. The ones you know about. They were announced and explained. Ah, but these measures have led to a reduction of approximately 3 billion pesos in the amount of money in circulation. These measures helped revalue the peso. These and other measures, not only these ones. These measures were not adopted capriciously or inadvertently; they were analyzed and meditated: The farmers' markets, with the participation of the state enterprises and the cooperatives; the industrial markets; self-employment, as many factories ran out of raw materials, as a form of helping people find a job because their income was not enough, as a form of helping pensioners who can still render some services.

A series of measures, which I will not enumerate, have led to these results. This means we are on the right track. This means it was proved that we could resist. While preparing for this event in Holguin I was recalling, I was reading what I said in Holguin — no, not in Holguin, in Camaguey — on 26 July 1989. It was an excellent year because we had built so many works. We were immersed in the rectification process, the construction of polyclinics, hospitals, schools, construction materials industry, plans to build 100,000 houses per year. We were doing splendidly well.

Obviously, our economy was mainly based on our relations with the socialist bloc and the Soviet Union. We predicted, we foresaw the events, the threat of the socialist bloc's dissolution; even the threat of the USSR's disintegration. When I said this at such an early stage I suspected that some would think it was a figment of my imagination. Who would have thought this of that great country, which destroyed fascism, which waged the first revolution, which made so many contributions to mankind? I will not discuss that, much less will I discuss complex issues, in the presence of visitors whom we appreciate and whom we thank for their participation in this event. We appreciate this very much. [applause]

I only bring this issue up because while all of this was taking place, Cuba continued resisting, Cuba continued to struggle. After seven years of having made these statements, it is fair to say that Cuba has been able to continue struggling, Cuba has been able to resist, Cuba has honored its word. [applause] Even though afterwards the country was left on its own, but more blockaded that ever.

However, I believe that now the blockade is becoming more strenuous. We had confidence in our people. This is a people endowed with a tremendous fighting

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spirit tradition. This can be attested by some of our songs, the poems of our youth, and so forth. Of you people of Holguin, there is much that could be said with respect to your historical accomplishments. To the honor and glory of this province, the region of Holguin has distinguished itself in all of our encounters with history. Whichever progressive cause arose, it received full support from the people of Holguin, even before the wars of independence.

Noteworthy also was the role played by the people of Holguin, together with the people of Bayamo, Santiago, and the other eastern provinces during the revolutionary struggle. They were among the first to rise on 10 October, the first to fight, attack, and strike against the enemy troops. This city itself was attacked on more than one occasion. That illustrious son of Holguin and Cuba, Calixto Garcia, is from this region. I am going to use the present tense instead the past tense. [applause].

A word such as was has no place when we refer to the heroes of the fatherland. They were, they are, and will continue to be. Calixto Garcia, head and leader of many victorious battles. He was one of the first to surround and take cities, ambush numerous enemy troops and cause innumerable casualties. Tireless. One who prefers to shoot himself in the chin rather than fall into the hands of his enemies and become a prisoner. One whose mother — at whose grave flowers were fittingly delivered today — refused to believe in her son's death, or that he had been taken prisoner, until she was finally told that he had shot himself. It was then that she uttered that well-known expression: Ah, that is my son.

He fought tirelessly because when he was able to, he escaped from Spain, where he was banished, and returned to the so-called Chiquita War, in which Holguin Province actively participated.

The third independence war began and he hurried back to Cuba. He was winning when the imperialist intervention took place or when the first imperialist war of our time took place, in Lenin's sense of the word. He again landed. He fought and took part in a very significant way in support of the forces that were landing, supposedly friendly forces, which later inflicted upon Calixto the humbling decision to forbid the entry of Cuban forces into Santiago de Cuba.

I recall that what moved us the most on the day we arrived in Santiago de Cuba, on 1 January 1959, was to remember that we had redeemed the memory of Calixto Garcia. [applause] [Word indistinct] with determination when there was an attempted coup d'etat, manipulated by the Yankee embassy, and we said: this time the Mambises will enter Santiago de Cuba. [applause]

The struggle of the people of Holguin was also extensive throughout the false republic with all the revolutionary movements that took place. There were expeditions that came this way, strikes, demonstrations, armed struggles, participation in the clandestine movement during the Machado and Batista days, up to times near the revolution when Holguin then actively took part in the clandestine struggle.

The people of Holguin had the Batista tyranny in such a state that it ordered the atrocious massacre called the bloody Christmas, in which more than 20 people were murdered and selected and chosen by that cruel and blood-thirsty henchman called (Cowley).

Those same repressive forces seized the people in the Corinthian expedition and murdered all of them, almost without exception. However, Holguin residents were also the ones who did just one day, and eliminated the henchman in a courageous and unforgettable manner. [applause] The repression against the people of Holguin was very bloody. Many Holguin residents started to join the rebel army in the Sierra Maestra, the plains, and everywhere. So, Holguin merits recognition for its beautiful and courageous history.

We know, we have always known that we counted with people such as the ones here and we always had confidence in them. We were sure that the promise made on that 26 July would be kept and it is being kept. [applause] That is why I am not surprised with the achievements and today more than every before, we require that all our people carry out similar achievements. I repeat. The enemy is full of arrogance, anger, we could say, and frustration because this small country, facing exceptionally difficult conditions, has not surrendered. We have had to attend to the lives and needs of 11 million people. This has been much more difficult than caring for a small amount of troops in the mountains. The revolution feels responsible for the life, sufferings, labor, and difficulties of the entire population.

This undertaking, in my opinion, has turned our people into international heroes. Yes, they are international heroes because they have done all this under such conditions. What they have done can be summarized thus: they have fought, resisted, and started to advance.

Could there be an obstacle capable of discouraging us? Could there be an imperialist law or measure capable of making us kneel? [the people shout: No!] In this unipolar world, the empire is growing increasingly overbearing, arrogant. What is the meaning of a law of an extraterritorial nature that punishes citizens of the world for investing in Cuba? Besides, this is a contradiction. The opening to foreign capital investments is not a classical measure, although prior to the special period we

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thought it was suitable to open some areas to foreign investments, because we needed capital.

Some of those natural resources, like the Mayari pine forests and the mines, cost hundreds upon hundreds upon hundreds of millions of dollars. A modern industry can be set up there and it will be set up. This calls for studies and plans. This cannot be done overnight. Where would we get those hundreds upon hundreds upon hundreds of millions if we sometimes have to figure out how to get 6 million to establish the 300-bed hospital you need so much; or to make investments in industrial lines; or to build hotels and develop tourism, which has become an extremely important source of income?

I had not mentioned this among the country's things. Tourism has increased 46 percent during this first half. [applause] Despite all the campaigns and all the enemy's propaganda against Cuba, and its laws, and its provocations, and its harassment. We can fill this country with hotels. I mean the beaches and other sites. In fact, its gross revenues surpass even those of the sugar industry, except the sugar industry has not only an economic importance but also a social and political importance. At least two million people live from the sugar industry — 2 million people, not workers — and they love it, adore it in many homes. You can say this problem must not be considered from an economic viewpoint only, and you cannot think a tourism hotel is better than a sugar mill. No.

We have to diversify the country's source of income. This is why we have done a few things that bring revenue to the country. Some of these things are not entirely fair, we know that, but this is a price we must pay to save the fatherland, the revolution, socialism. We try to make the measures increasingly fair, to see that those who make much more money than others pay taxes and contribute their share. There is so much need that people have sometimes used their trade to abuse the people. Sometimes people invent stories, for example, that prices will go up because they must pay taxes. No, they cannot raise prices even if they want to. For example, prices in the farmers' markets have gone down because there was less money. This does not depend on those who sell there. In this case it depends on those who buy and how much they are willing to pay for something. It is a hoax. We ask those who earn a lot to remember the teachers who educate their children; remember the doctors who save their children's lives. [applause] Remember the defenders of the homeland or those who guarantee the safety of a citizen against an aggressor, against a criminal.

Let them remember the fatherland and its needs; the fatherland and its development; the fatherland and its independence; the fatherland and its ideals, and that they do not react selfishly. It is very important that the people understand this. If someone earns 3,000 pesos a day — no minister earns 3,000 pesos in six months — much more than what a teacher earns in a month or what an eminent doctor may earn. You have them here; just ask them. They know that the country has no money. What more would the country like than to have unlimited resources to be able to reward everyone who works and to resolve all of society's pending problems, despite the ones already resolved historically during the revolutionary years?

Yes, we need to take measures, but those measures need to be constantly studied and adapted to the situations.

Others have the privilege of having a relative. What are we to do, turn green with envy? No. If relatives send something, fine; if they purchase something, fine. This may help us complete the hospital. This brings in taxes. [applause] Already there are 1 million Cubans who, in one way or another, through self-employment, have access to certain amounts of convertible currency. But we are not envious; what we want is a better fatherland; what we want is the fairest society. We have not renounced nor will ever renounce those ideas. [applause]

With what we do or with what we will do, I can assure you that we will not fall into those claws that I spoke about before.

I said that the empire increases its blockade; it is increasingly hostile, more provoking against us. But we struggle, and we struggle on all fronts. When they commit a provocation, such as what resulted in the incident, or when an incident takes place due to the provocations of the imperialists and their underlings, we struggle there in the UN General Assembly, in a way, we must say, that no one struggles — in the ICAO [International Civil Aviation Organization], even though controlled to a great extent by the United States, and in the Security Council, where a speech, which lasted one hour and 23 minutes, was delivered in reply to the U.S. representative, by Ricardo Alarcon de Quesada, our brilliant president of the National Assembly. [applause]

There are times when the powerful empire — militarily, politically, and economically — imposes things, exerts pressure, in a terrible way to a country that will not kneel.

We fight with ideas in every field because we have ideas to defend and a very high morale to defend them with. [applause] We would fight. And every one of you knows

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how we would fight, under any circumstance, regardless of the imperialist technology. It does not matter. All things considered, what matters most is the individual.

We will strive to obtain technology. It has been a long time since we received any weapons, but we can still defend ourselves with what we have. No bullet-proof vest can resist a shell from a bazooka or a cannon. They better not believe that with technology — smart weapons as they call it, and that sort of thing — they are going to make us kneel.

First, they would have to exterminate all of us, because we are all followers of Calixto Garcia. [applause] Imperialism, with its haughtiness and arrogance, has turned into a tragedy for the world.

Why do they seek to destroy us? Because we have been able to accomplish the things we have just mentioned here. Because we have more physicians per capita, or teachers, than any country in the world. Because practically all our children are in school. Because there is practically no dropping out of school among our children, and nearly all of them are able to pass to higher grades. Because we have been able to reduce infant mortality to less than 10, in a tropical and hot country where illnesses are more frequent, and where the environment is more conducive for many ailments. These are the reasons they want to destroy us. Because we seek social justice, fairness for all. These are the reasons they seek to destroy us.

What do they seek to give the world instead? The world's problems are becoming more and more complicated with the neo-liberal ideas and political recipes they have applied to countries as far away as Africa up to Latin America. Ever since we took up the first weapon in our struggle for independence we have refused to accept recipes from anyone. No one had the right to give us any recipes. No one gave any recipes to Cespedes, Agramonte, Marti, Maceo, or any of the founding fathers of this nation.

What has been their legacy in Africa? All sorts of fratricidal wars everywhere. More and more fratricidal wars.

What has neo-liberalism accomplished in Latin America and throughout the world? More and more unemployment. Less and less budget for education. Less and less budget for health. Less and less budget for retirees, the elderly, and those who worked hard all their lives. Less and less budget to assist the handicapped, to provide rehabilitation programs, and when possible, decent jobs for these people to earn a living.

There are increasingly less resources for the people. The gap between rich and poor people continues to increase. The gap between the rich and the poor was 30 to one a few years ago and now stands at 60 to one.

What will happen to the environment? Contamination problems increase every day, and they are increasingly more serious. The world's climate is getting hotter. The waters are rising. The occurrence of natural disasters multiplies. Strong droughts are assailing the world. The United States itself suffered a drought in recent months. China has suffered big floods and cyclones, and no one knows the consequences of those disasters. Or, rather, the consequences are known but, unfortunately, there is no awareness of those problems in the empire and many developed countries.

What will happen to the social rights that were discussed in Copenhagen? With what resources will we handle problems? World problems such as unemployment, which I already mentioned; the reduction of social security budgets; and the increasing number of older people. There are intense pressures to increase the retirement age. No one thinks of other possible alternatives to resolve the unemployment situation. The contributions of rich countries to the development of poorer countries is not increasing and is, rather, decreasing. What will happen with human settlements, which was discussed in Istanbul recently? The conference was boycotted by the rich countries that do not want to contribute to the solution of those problems.

But what will happen to human health? There are increasingly more new diseases, such as AIDS, which was unknown previously and is now an almost universal plague. There are new bacteria, new viruses, strange diseases. Old diseases, such as tuberculosis, are reappearing. Antibiotics, which were such an effective weapon in the past, are increasingly more ineffective because they have been used and abused. Increasingly there are more resistant strains. Tuberculosis itself, which had almost been annihilated, multiplies rapidly everywhere, and it has mixed with AIDS; some diseases mix with others.

We struggle against all this, and we do so successfully. We manufacture vaccines and protect our children against almost all the diseases. We advance in the health sector, which I believe is going to be one of the most serious problems in coming years. This has been reported by the WHO. This information was not invented in this speech here. I report what the world already knows, what the cables have published. The situation is getting increasingly worse.

I can say that this system is creating a world where there are more and more poor people. Who can deny it? The number of those who live under the minimum poverty level keeps increasing. It is a world where there

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are more and more illiterate people and less security, a world in which there are more and more drugs and violence, linked to drugs or not.

This is the world offered by the hegemonic empire. Can mankind be governed like this? In approximately three years there will be 6 billion people. Mankind's numbers have increased sixfold in a century, which it had not done in hundreds of thousands of years.

Food problems aggravate the situation. Food becomes more and more costly. These problems become even more serious as the result of soil erosion and environment, backwardness, poverty, and the countries' lack of resources, organization, or land for those who can till it. This is the world that the empire offers. A less and less independent world. A number of less and less sovereign countries, because the only sovereign thing that remains is the sovereign will of this empire to impose its rules and conditions.

As you have seen, this Helms-Burton law has elicited worldwide rejection. For the first time, the OAS issued a resolution against this law. It has been ferociously attacked by some U.S. newspapers. It has elicited Europe's rejection and Europe's determination to resist those extraterritorial practices, because the world now experiences a closeup of what has been done to us. They want to draft new laws, this time against other countries, and have warned that they will penalize enterprises that invest in certain countries. Iran and Libya are being mentioned, where European countries have large investments and where they are supplied with crude oil. It is only natural for these countries to react strongly, because they are beginning to understand that such a world is unmanageable, ungovernable, and without a future.

What does the United States want us to do? To return to those years that led up to 26 July, to have everything we have and have conquered taken away from us, even the houses where our people live, the schools, the hospitals, and the plants, under any pretext.

I believe it was Clinton himself who said this meant that the island of Cuba would have to pay $100 billion in compensation, when he was against the law, when his hesitations did not lead him to the mistake — hesitations and political opportunism given the November elections and the myth that the Cuban extreme right can decide who wins or loses that state. That is a myth, that is a lie.

With the pretext of the 24 February incident, fully provoked by them and of which they were warned about countless times, he switches sides and supports the law of his enemies, the law he had been fighting for months, a law that came about after much lobbying in Congress and in which Republicans had a wide majority, both in the Senate and in the House. Thus, Clinton may have been unable to veto the law.

But what is, of course, a moral fault and a lack of ethics is to have backed that insensitive and cruel law against our people.

I repeat, what do they want? Do they want us to return to the past? Do they want us to lose everything, everything? Do they want us to lose the fatherland? [crowd chants: "No!"] Do they want us to never again be able to say that we are the country with the most merits per capita in the world, with the most teachers, and with the best attention to man? Do they want us to never again be the most humane country? They want us to return to the past and stop fighting for what many generations of Cubans fought for, from the very first Cubans to the Cubans of today.

It is not possible; it is not possible that we once again become a country without any rights, a country without honor, that we resign ourselves to live without honor or dignity and to be subjected. We have struggled for more than 35 years — we, these generations. What is important is the decision to continue to struggle a further 35 years if necessary. [applause]

How can such senseless policies be intended to be applied to the world? We have a right to be free, because we feel free, and because we are willing to fight and die for that liberty. [applause] That is something that cannot be snatched away from us. [indistinct chants by crowd] [applause]

Let us continue struggling and struggling with increasing efficiency, with more awareness, with more responsibility. Let us not forget for a second of the moment and period we are living in, of the world we live in. The sacred duty is not to flee as some do. The sacred duty is firmness, the struggle. This is what future generations will recognize; your descendants.

I am sure that our ideas, that our example, will not be in vain. Many people will emulate our example in the world, our decision to protest, to struggle, and to resist intelligently, firmly.

With mad actions they cannot govern the world. The world is prepared to govern itself, but it will never accept being governed by anybody, or by an egotistical country without scruples.

Now that an international fiesta, the Olympic Games, is taking place with the participation of all the countries of the world, including ours — and we have been quiet and discreet — we find that the haughtiness and arrogance

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of the United States has reached such proportions that there are throughout the world hundreds of reports and news articles saying terrible things about the Olympic Games.

Our commentators have not been involved in that. They have been reporting sports details, but whoever reads international reports — and we have the obligation to read many of them everyday — will see there is an incredible number of protests. They are reporting the Centennial Olympics as something shameful, as a catastrophe. There is incredible disorganization, poor housing facilities.

Somebody reported there is one bathroom for every 30 women in the villa. There is lousy organization of information. Reporters are going crazy. They are not receiving the information they want or when they want to get it; transportation is terrible; teams arrive late for competitions; some athletes have been unable to compete; even policemen and bus drivers wanted to go on strike; things that had never happened at any Olympic Games.

The world is learning from this experience as it is learning from others. They paid no attention to anybody; they did not listen to people who had Olympic Game experience. They managed to get this Centennial Olympic games that should have gone to Athens, where the games began 100 years ago, but Athens was not given this Olympic Games; it was assigned another, after two intervals.

They had the responsibility of organizing this in a really efficient way, and we have learned from news reports of what is happening in the tracks. From a sports point of view, we have no complaint, except that third world countries only occasionaly win a little medal.

You have seen the equestrian competitions. How could the countries of Africa, of Latin America, including us, expend the necessary funds to participate in the equestrian Olympic competition? There could be one Latin American country there. How many tennis courts would we build throughout the country to participate in tennis; how many swimming pools would we have to build to allow many more people to train in swimming? There are many elite, rich sports. The sports of the poor countries are very few.

Nevertheless, whatever we have, one or 10 or 100 swimming pools, we must use them in two or three shifts, do whatever is necessary so that we may also participate in those competitions. I am not saying equestrian, because it is not worthwhile; it would be better to invest in other sports, whatever may have to be invested, in equipment, etc.

In the Olympic Games, you can see the differences that exist in the world. We must also struggle against turning sports into merchandise. Fabulous amounts of money are being invested. Imagine: Television rights were bought by a television station for $630 million. How much money circulates in the Olympic Games business? The Europeans were complaining because contracts have not been complied with. People throughout the world are saying terrible things about the Olympic Games. I am saying this so that you know.

Arrogance and haughtiness have led them into shunning everybody and paying no attention to experience. I hope someday somebody compiles everything that has been said so that our people may have an idea as to how these games have been organized.

Since I have mentioned the Olympics, I must rememeber what I said earlier. No news has reached here. We beat Germany in women's volleyball. Falcon was eighth. We lost the first boxing match. Hey, tell me no more. [crowd and Castro laugh] There are more fights, right? You will see: Our boxers are doing very well. They are boxing well, intelligently. We will see how boxing is going.

People of Holguin, I know that some of you are standing. We have been at this ceremony for some time. I beg you to forgive me for speaking a long time. [applause]

Allow me to congratulate the party, the people's government of Holguin, the mass organizations of Holguin, including the pioneers, all the people of Holguin, the provincial Politburo, and its secretary, Companero Sierra [applause], for the great honor and this achievement of being the host of the 26 of July event.

I appeal to all provinces to struggle as Holguin did and hope that for the next 26 of July we may be able to celebrate it with more achievements. I know that all provinces will say yes. I know they will struggle. It will be like that. You will be accused of having a monopoly if you win again, but you must make the greatest effort to win again.

In front of this courageous, firm, and heroic people, in front of the statue of Calixto Garcia, I proclaim: Socialism or death! Fatherland or death! We will win! [applause and shouts of "Viva Fidel!"]

**Cuba: Condolences Expressed; Olympics Organizers Blamed**

*PA2707211196 Havana PRENSA LATINA in Spanish 1740 GMT 27 Jul 96*

[FBIS Translated Text] Atlanta, 27 Jul (PL) — The Cuban delegation to the Olympic Games in Atlanta

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today expressed its condolences for the two people killed and the 110 wounded by the explosion that shook downtown Atlanta this morning.

The sentiment of the Cuban delegation was expressed to PRENSA LATINA by Jose Ramon Fernandez, vice president of the Council of Ministers, who is attending the Olympic Games in Atlanta by invitation, and by Reynaldo Gonzalez, president of the National Institute for Sports, Physical Education, and Recreation (INDER).

Fernandez regretted that an act of this magnitude should occur during the Olympic Games and expressed his condolences to the families of the victims.

Moreover, Gonzalez explained that the explosion surprised everyone in the delegation. Gonzalez said: We were all in the Olympic Village. The athletes had been asleep since 2200 hours. Our delegation is totally calm and is not worried in the least.

It is unfortunate that these acts should occur during the Olympic Games and I believe that the U.S. policy to encourage and protect some terrorists for political interest is the cause of all this, Gonzalez said.

Gonzalez immediately added that the Cuban delegation is still concentrating on competing and doing its best in these Olympic Games.

The explosion occurred at 0130 hours today in the Olympic Centennial Park, which was inaugurated last week and is the center of attraction for tens of thousands of persons who are in Atlanta to attend the worldwide sports meeting.

Regarding the transportation and food crisis experienced during the first week of the competitions, Gonzalez said that the role of the Cuban delegation in Atlanta is to cooperate as much as possible and not criticize anything that might be considered a political action.

Nevertheless, Gonzalez pointed out that the serious organization problems that have occurred in Atlanta cannot be concealed because they have been reported by the world's media. Gonzalez recalled that four of the first 12 baseball games began one hour late because the teams arrived late.

Gonzalez added: These kinds of things occur when an organization scheme depends on commercial interests and other interests that are not purely technical, and when responsible persons are not in charge of organizing the games.

Gonzalez also mentioned difficulties in meals for the athletes, sleeping accommodations, and recreational facilities. We were without a television set for almost a week, and we had to make a great effort to get one installed.

Gonzalez said he believed it was not due to a lack of money, but to a lack of ability to organize. These Olympic Games have really been plagued with problems and difficulties.

In our opinion, it is very significant that there has no real awareness of the needs of the athletes, who are the real protagonists of the competition. Here, everything centers on commercial interests without giving priority to the athletes or their nourishment and living conditions, Gonzalez concluded.

**Cuba: Russian Duma Chairman Arrives for Moncada Event**

*PA2607171596 Havana Radio Rebelde Network in Spanish 1700 GMT 25 Jul 96*

[From the "National Radio News" newscast]

[FBIS Translated Text] Russian State Duma Chairman Gennadiy Seleznev heads a delegation that will arrive today in Cuba to attend festivities in Holguin Province marking the 43d anniversary of the attack on Moncada Barracks.

Representatives from the Russian legislature flew to Nicaragua, the first leg of their trip, before continuing on to Cuba and Venezuela. The visit is being described as an economic drive toward Latin America.

Accompanied by a number of legislators and experts, Seleznez stated in Moscow before boarding his plane that the main purpose of his visit is to strengthen relations with the parliaments in the area.

According to an expert in the Duma, the government of the former Soviet Union mostly based its interest in Latin America on ideological grounds and on political differences with the United States.

At the outset of Seleznez' visit to Latin America, (Yan Burlyay), deputy director for trade relations at the Russian Foreign Ministry, said the visit comes at a time of transition as Russia tries in the short-term to improve relations with the continent.

**Cuba: Russian Duma Chairman Visits, Views Ties**

*PA2607184596 Havana PRENSA LATINA in Spanish 2006 GMT 25 Jul 96*

[FBIS Translated Text] Havana, 25 Jul (PL) — Russian State Duma Chairman Gennadiy N. Seleznev said in Havana today that relations between the Duma and the Cuban National Assembly of the People's Government [ANPP] have improved remarkably this year. At the

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start of his official visit to Cuba, Seleznev noted the great interest and expectations he had for this trip, not only because he had been invited to festivities commemorating Cuba's Day of National Rebellion, but because this trip will be "of great help in reinforcing the ties between our two countries."

He also said there have been frequent contacts and exchanges between both countries' parliamentarians this year, and that relations at the executive level are also positive.

"We want the executive and legislative branches of both countries to work harmoniously to guarantee the success of everything we have been pursuing along these lines," he said.

Referring to Russia's domestic situation following the recent presidential election, he said the government will implement a reform intended to encourage public participation and to support the agrarian and industrial sector with a more active state role in the orientation of national life.

He continued: There will be no major changes in our foreign policy at the international level. We expect to consolidate our ties with both the East and West, particularly with countries bordering Russia.

Seleznev and his delegation, who were welcomed by acting ANPP President Jaime Crombet at the Jose Marti International Airport in Havana, will participate in the 26 July festivities in Holguin, located some 700 km from Havana.

The Russian delegation, which consists of deputies from several factions, will stay in Cuba until 28 July and visit the commercial enterprises and tourist attractions of the well-known Varadero beach resort in Matanzas, located more than 100 km northeast of Havana.

**Cuba: Russian Duma Speaker on Castro Speech, Ties**

*PA2807183196 Havana PRENSA LATINA in Spanish 0148 GMT 28 Jul 96*

[FBIS Translated Text] Havana, 27 Jul (PL) — Russian State Duma Speaker Gennadiy Seleznev today learned details about the current and future development of the famed Varadero resort, the principal tourism attraction in Cuba, located east of this capital.

According to reports from local television, Seleznev and the parliamentary delegation accompanying him became interested in the characteristics of the Cuban tourist attractions and the participation of foreign firms in tourism-related operations.

In statements to the press, the leader of the Russian lower chamber praised the speech of Cuban President Fidel Castro at the national ceremony held yesterday, in the eastern Province of Holguin, to commemorate the 43d aniversary of the assault on Moncada Barracks.

"His comments were very bright; I had the opportunity of listening to Fidel directly, and we have enjoyed it because it was an in-depth analysis, not only of what is occurring in that province, but also in the entire country," he stressed.

Upon commenting on the current state of bilateral ties, Seleznev stated that they have begun to improve, and he expressed his desire for them to go back to "being friends and not foreign countries... with strong bridges and without following any directives."

I believe we will accomplish this, he stressed, after reiterating that in the Duma most deputies share this feeling and desire more dynamic ties with Cuba.

On arriving in this capital last Thursday, the leader of the Russian legislative branch expressed the great interest and desire with which he anticipated this trip, aimed at increasing ties between both nations.

During his stay on the island, Seleznev met with Fidel Castro, who thanked him for the Russian abstention in the vote of a U.S.-sponsored resolution at the UN Security Council aimed at condemning Cuba.

The leader of the State Duma will tomorrow receive the illustrious Havana guest medal that the Provincial Assembly of People's Power (municipality) grants in this capital.

Later, he will depart for Caracas, Venezuela, the last leg of his Latin American tour, with the intention of regaining the ground lost in the region, after several years of a cooling in relations.

The Russian legislators first visited Nicaragua, where they issued a pronouncement against the Helms-Burton law, which intends to internationalize the U.S. blockade against Cuba.

**Cuba: Russian Duma Chairman Concludes 'Successful' Visit**

*PA2907032196 Havana Radio Havana Cuba in Spanish 0000 GMT 29 Jul 96*

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Gennadiy Seleznev, chairman of the Duma or Lower Chamber of the Russian Parliament, on 28 July concluded his visit to Cuba, during which he met with President Fidel Castro and other high-ranking government and state officials to discuss the

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development of more than 30 years of bilateral relations. We have been able to learn of Cuban reality and strengthen our parliamentarian and state relations; this is why we can say that our visit was successful, Seleznev asserted.

He traveled to Havana heading a large delegation and was decorated with Havana's Illustrious Guest medal, which is specially awarded to personalities and friends of the island.

Cuban Parliament Vice President Jaime Crombet bade farewell to the Duma chairman, who left for Caracas, the last leg of his Latin American tour, which also included Nicaragua.

**Cuba: Alarcon Meets L.A., Caribbean Ambassadors at UN**

*PA2807182996 Havana Radio Havana Cuba in Spanish 0000 GMT 23 Jul 96*

[Interview with Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, by Laura Yakovsky at the United Nations in New York; date not given; from the "Evening Information Review" — recorded]

[FBIS Translated Text] [Yakovsky] What did you talk about at Grulac [Group of Latin American and Caribbean Countries]?

[Alarcon] Well, I just said hello to my former colleagues at Grulac. They are aware of the situation. A Grulac meeting was held last week in which they talked about the 24 February incidents and discussed what I said at the UN Security Council. It was quite a long meeting; it lasted a few hours. What I did this time was to update them on the situation regarding the same topic. As you know, it is possible the UN Security Council will review the topic this week.

[Yakovsky] When this week?

[Alarcon] They are now holding informal consultations. They are talking about a possible official meeting for Wednesday or Thursday. I understand that U.S. Permanent Representative Madeleine Albright will speak to the media at 1230, so I imagine she must know the answer to that question.

[Yakovsky] Did you expect the process to take so long?

[Alarcon] The truth is that one tends to be naive, and when the UN Security Council said it would examine whatever was sent to them by the International Civil Aviation Organization [ICAO] on 27 February [as heard] without delay, I never thought the without-delay part would be the equivalent of a month, which is the time we have had to wait, if the Security Council meets this week. That is why I was caught by surprise. I did not expect such a delay.

[Yakovsky] Do you feel these consultations are taking too long?

[Alarcon] I could not say that because they began today, this morning at 1030, I believe. If they lead to a meeting this week, they would not be long; they would be more or less normal.

[Yakovsky] How were you received by the Latin American ambassadors? What is Latin America's position in general regarding this situation?

[Alarcon] The one their representatives had at the ICAO was quite constructive and useful because it contributed to the decision adopted by the organization. It is the one we hope they will maintain here in New York. I believe a great interest has been shown from Grulac. There has been interest on the matter as several ambassadors said. We have been quite informed about the evolution of these topics, and our presence here in this meeting today is part of that. It is a reflection of our interest and of their interest to remain abreast of the situation.

[Yakovsky] After the UN Security Council makes a decision on this topic what will happen next? [Words indistinct]

[Alarcon] It depends on what the UN Security Council does. It depends on the type of decision. If the decision is the correct one, if the proper decision is made, it should lead to the conclusion of the matter and perhaps, the UN Security Council will contribute to avoiding the repetition of similar incidents in the future, but we must wait to see what happens here.

[Yakovsky] Is the UN General Assembly not a healthy resource?

[Alarcon] Of course, it is a healthy resource. The UN General Assembly will always be a resource for us if necessary. At any rate, remember that Cuba has insisted on this for a very long time. The UN Security Council reports to the UN General Assembly. What it does or does not do should be part of the report which the UN Security Council should submit to the General Assembly this year. It is the UN Security Council that should report to the General Assembly and not the other way around as some would like. We believe the General Assembly is the supreme body. It is the final reference point, even for all UN Security Council actions or lack of actions. The UN Security Assembly will always be considered an option, as a necessary option by Cuba.

[Yakovsky] My specific question is: If the UN Security Council reaches a decision, which Cuba deemed unfair,

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would Cuba once again resort to the UN General Assembly?

[Alarcon] Without a doubt. Without a doubt, but let's cross that bridge when we come to it.

[Yakovsky] Thank you very much.

**Cuba: Minister on Resuming Diplomatic Ties With Paraguay**

*PA2807210096 Havana Radio Havana Cuba in Spanish 1300 GMT 28 Jul 96*

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina this Saturday told the press in Asuncion that after 36 years of interruption, Paraguay and Cuba will resume their diplomatic ties thanks to sovereign decisions of both countries.

In an interview this afternoon with newspaper ULTIMA HORA, Robaina added that it is true that the U.S. Government is trying to block the relations of Cuba with the rest of the world, in hopes of isolating the island. He noted that it is also true today that Havana maintains relations with more than 155 countries. The decision to make the relations, which have been suspended since 1960, between Paraguay and Cuba official once more was recently announced by Paraguayan Foreign Minister Ruben Melgarejo Lanzoni.

The Cuban foreign minister, who in September of 1994 paid a courtesy call to Asuncion, told the press in that capital that Cubans welcomed the news of the resumption of ties between both Latin American countries.

**Cuba: Robaina Leaves For Chile With Cuban Businessmen**

*PA2907044096 Havana Cubavision Network in Spanish 0000 GMT 29 Jul 96*

[From the "NTV" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina left today for Chile, the first leg of a tour that will also take him to Paraguay.

This is Robaina's second visit to Chile, but the first since the reestablishment of diplomatic relations between the two nations on 7 April 1995.

During his visit to Chile, Robaina will be received by Chilean President Eduardo Frei, meet with [words indistinct], and will also meet with ministers and other important government and National Congress officials.

One especially important point will be the foreign minister's participation [words indistinct].

[Begin Robaina recording] [10-second passage unheard] On this occasion, this will not be simply a meeting. It goes much beyond that because, among other things, as I told you in the beginning, we have a coor[illegible]ted effort. Our delegation includes representatives o[illegible]mportant prestigious Cuban sectors with a strong perfo[illegible]nance at home and abroad, such as tourism, the biotechnological and pharmaceutical industry, the construction industry, and by representatives of the Science and Technology Ministry. This makes this visit to Chile the first to that country with a scope far beyond diplomatic activities. [end recording]

The leader of Cuban diplomacy will leave for Asuncion, Paraguay, on Thursday [15-second passage unheard].

[Begin Robaina recording] [Words indistinct] are normal with Cuba and this is different from how things were 30 years ago, 10 years ago, five years ago, or even one year ago. To those who say we are isolated, I say that we have much company in our isolation. [end recording]

Once this agreement is signed, Paraguay will be the 24th state of Latin America and the Caribbean to have official links with the largest of the Antillean islands.

**Cuba: Raul Castro Presides Over Pioneer Congress Session**

*PA3007032296 Havana Cubavision Network in Spanish 0000 GMT 21 Jul 96*

[From the "NTV" newscast]

[FBIS Translated Text] Today, Commander-in-Chief Fidel Castro and General of the Army Raul Castro presided the plenum session of the 2nd Pioneer Congress, which took place at the Convention Center.

[Begin recording] [Unidentified reporter] Lydianis Diaz, is restless during the plenum. Just as the other 999 pioneers, she is desperate to speak. Finally, she gets her chance.

[Diaz] We pioneers should take firm positions during this congress and propose that songs that could deteriorate our good taste and our language should not be allowed... [pauses] indecent and vulgar songs that are later sung by all.

[Unidentified reporter] Afterward we heard her say that one of her dreams was to visit Havana City, be a delegate in this congress, and hug Fidel. All the issues, that define the organization's existence, were thoroughly analyzed by these children, who are between 10 and 15 years of age.

[Unidentified first speaker] There are very few pioneers who study at night or who go to study halls. I think

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this is something that must be resolved because it does not only happen in Guantanamo, Santiago de Cuba, and Holguin, this is happening throughout the whole country. We must find a solution to this.

[Unidentified reporter] Each individual idea was enriched by all the participants. They were very concerned with history and with their involvement in the country's economy. However, and above all, they were concerned with studying, defending the fatherland, and with ethical and moral values.

[Unidentified second speaker] We are also going to point out that there are conducts and behaviors that leave much to be desired. The use of the uniform and emblems was not the best. There are some who even refuse to use badges. I think that the Jose Marti Pioneers Organization must confront this. In things of this nature is where all of us, cadres and pioneers, should be involved.

[Unidentified third speaker] In the Jose Marti Pioneers Organization there has never been even a mere hint of creating an award that could come to represent, identify, and highlight the attitude, background, and qualities of those exemplary and outstanding pioneers. All the pioneers from Holguin think that the award could very well carry the organization's emblem and be called Paquito Gonzalez Cueto. Why, because he was the first pioneer martyr. He never had the chance of participating in a congress such as this one because he died when he was very young. He never had that opportunity.

[Unidentified reporter] From this moment on, Lydianis and all the others will be transmitting ideas and they will be set the example of the type of people the country needs.

[Raul Castro] This is a country whose essence of life, its children, claim the right to be able to defend the fatherland. This is a country ... [pauses] To defend the fatherland, to defend happiness, as you say, and to defend hope the same way as we do in the Armed Forces. For us, avoiding war is equal to winning it. Our objective is not war, but to avoid it. However, to win the war by avoiding it we must prepare the people as we are doing; the way our country, our party, and our government are doing. [applause]

The objective is peace. The objective is to live in peace. To live in peace, but they must respect [passage indistinct] [end recording]

## Cuba: Politburo Members' Activities Through 25 Jul

*PA2607211496*

[FBIS Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 25 July.

A London-datelined, 19 July, 400-word report reveals that Cuban Vice President Carlos Lage gave an interview to the UK FINANCIAL TIMES and stated that this season's sugar harvest was better than the last one and reported that the tourism and nickel industries have rendered exceptional results. Lage, however, believes that "the Cuban economy has still not surmounted the severe recession, despite the positive results." He said the Helms-Burton law will not stop the flow of foreign investments in Cuba and added that 25 investment projects have been established since the U.S. law was approved. (Havana PRENSA LATINA in Spanish 0013 GMT 20 Jul 96)

Division General Ulises Rosales del Toro attended a meeting with Havana Province producers who reported their agriculture productions. However, Rosales del Toro prompted them to thoroughly discuss the problems they confront in the cattle industry, reforestation, and self-employment sectors. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 22 Jul 96)

A Havana-datelined, 22 July, 250-word report indicates that Politburo member Maria de los Angeles Garcia attended the closing of the 1995-96 academic year. She praised the work done by Cuban teachers during these difficult times and told them to continue their good work. Education Minister Luis Ignacio Gomez also attended the event and, among other things, asserted that the island's education system has improved. (Havana PRENSA LATINA in Spanish 0013 GMT 23 Jul 96)

General Raul Castro, the Revolutionary Armed Forces, Minfar, minister, congratulated the soldiers and members of the reserves in Matanzas this Tuesday, for the positive results of the Minfar's general evaluation on their performance. Division General Ulises Rosales del Toro also attended the event. (Havana Radio Rebelde Network in Spanish 1700 GMT 24 Jul 96)

Council of State Vice President Esteban Lazo received the credentials of new Belizean ambassador to Cuba Alfredo Martins this Monday. (Havana Radio Havana Cuba in Spanish 0000 GMT 24 Jul 96)

First Secretary of Politburo Candido Palmero visited the Quivican Municipality in La Habana Province to inaugurate works and meet with agriculture producers. He talked to media representatives and highlighted work done in the province and the objectives established for the coming year. (Havana Cubavision Network in Spanish 0000 GMT 25 Jul 96)

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**Mexico: Colombia, Mexico Discuss Legal Assistance Treaty**

*PA2907181096 Mexico City EL FINANCIERO in Spanish 23 Jul 96 p 31*

[Report by Miguel Badillo — received via Internet]

[FBIS Translated Text] In an attempt to attenuate U.S. pressures prompted by the unusual manner in which this country is seeking to struggle against drug trafficking in other countries, the governments of Mexico and Colombia are carrying out private talks with a view to reaching an agreement that will lead to the signing of a legal assistance treaty by September.

The first contacts between representatives from both countries began at the Foreign Relations Secretariat [SRE] headquarters on 19 July. Rafael Estrada Samano, legal deputy prosecutor of the Attorney General's Office of the Republic (PGR), noted the need for mutual assistance between both countries, primarily in gathering evidence against crimes against public health, the exchange of information on such activities as money laundering, crop eradication, and the expropriation of goods originating from drug trafficking.

In light of Washington's demands for the resignation of President Ernesto Samper, whose visa was revoked by the U.S. Government, the Colombian delegation urged the Mexican authorities to sign promptly a bilateral reciprocal assistance agreement based on the United Nations Convention Against Illicit Trafficking in Narcotics and Psychotropic Substances.

During the meeting, Colombian officials explained the internal problems they are confronting within the detention cooperation system [sistema de cooperacion de detenidos]; thus, they announced a proposal that already has been presented to Congress. The objective of this proposal is to reform the country's legislation, to include the crime of illegal enrichment, and to toughen measures against drug trafficking.

The representatives from both countries also discussed the legal framework in effect in Mexico and Colombia for the struggle against drugs, safeguards for the reduction of illegal drug demand, crop eradication, the exchange of information on issues such as narcotics interdiction, the struggle against criminal organizations, the control of chemical precursors, cooperation for the prevention of and penalties for money laundering activities.

The Mexican delegation included Francisco Molina, commissioner of the National Institute for the Struggle Against Drugs; Rafael Estrada Samano, deputy legal prosecutor of the PGR; Miguel Ruiz Cabanas, coordinator for special issues and drug control at the SRE; and Jose Davalos, general director for international legal affairs of the PGR, among others.

Representing Colombia at the meeting were Ambassador to Mexico Gustavo de Greiff; Diego Cardona, presidential international affairs adviser; Fernando Alzate, deputy minister of foreign relations for America and territorial sovereignty; Pilar Gaitan Pombo, special affairs director of the Foreign Ministry; Ernesto Carrasco Ramirez, international affairs director of the Prosecutor's Office, and Lieutenant Colonel Benjamin Nunez, representative of the Colombian National Police among others.

**Reciprocal Assistance Project**

In an attempt to reach a strategic alliance, Mexico and Colombia, the two main Latin American countries that have come under fire by U.S. anti-drug policy, began a succession of meetings on 19 July with a view to reaching a reciprocal assistance agreement within the framework of the Vienna Convention of 20 December 1988.

The Colombian delegation arrived at this first meeting, which took place at the SRE headquarters, with an initial draft of the proposal for a reciprocal assistance agreement. EL FINANCIERO was able to obtain a copy of the agreement, which proposes the creation of a high level Colombian-Mexican committee for anti-drug cooperation that would meet every six months by alternating the meeting site between both countries.

The first article of the draft establishes that: "The objective of the present agreement is to promote cooperation between all parties so they may struggle more efficiently against the trafficking, consumption, and production of illegal drugs, psychotropic substances, and other related crimes."

Article two states: "A. The repression of the illegal trafficking of narcotic drugs, psychotropic substances, and other drug related crimes, including an exchange of information on the methods and trends of organized crime dedicated to this criminal activity, to improve the performance of the proper authorities in their respective countries against this criminal practice;

B. The eradication of illegal crops that produce narcotics and, in this case, cooperation in the establishment of alternative development programs.

C. The prevention of drug and psychotropic substance abuse and the treatment and rehabilitation of addicts;

D. To control the importation, exportation, warehousing, distribution, and sale of raw materials, essential chemical products, solvents, and other chemical precursors to

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prevent their diversion to the illegal production of narcotics and psychotropic substances.

E. The exchange of information to combat trafficking, distribution, and the illegal use of narcotics and psychotropic substances regarding the routes, means, and methods used in illegal drug trafficking, the diversions of chemical substances and money laundering, as well as information regarding growers, processors, and traffickers, whether individuals or those associated with a criminal drug organization, maintaining full respect for the respective national authorities;

F. The interchange of experts of the proper authorities to modernize crime fighting techniques and structural organization of the national agencies engaged in the struggle against the trafficking of illegal drugs and psychotropic substances;

H. To provide legal assistance as provided by Article 7 of the agreement through the central authorities appointed by each party to that end, responding as quickly as possible to requests for information, evidence, and legal actions regarding drug processes and other related crimes being conducted within the jurisdiction of the respective authorities.

I. In general, those activities that as a result of the agreement are considered pertinent toward more effective cooperation between the various parties."

**Mexico: Military Ambushed by 'Narcos' in Jalisco**

*96GE0085A Mexico City LA JORNADA in Spanish 23 Jul 96 p 1*

[Report by Gerardo Rico, Victor Guerra, Uriel Martinez, Jorge A. Cornejo, and Antonio Heras — received via Internet]

[FBIS Translated Text] "Narcos" have ambushed members of the military in Jalisco, including a lieutenant, a sergeant, and a presumed intelligence pilot. Two others were wounded. According to unofficial reports, four arrests have been made. Another five "executions" apparently associated with the drug traffic have occurred in four states.

Three members of the Fifth Military Region's intelligence group, with headquarters in Guadalajara, were killed yesterday afternoon, and two of their companions were wounded, when they were ambushed by presumed drug traffickers in front of the Colonias cemetery on Vallarta Avenue in Zapopan, Jalisco.

The incidents occurred after 1845 hours, when the military men, assigned to the military region's intelligence group and conducting investigations of the drug traffic, were driving in the direction of the highway to Nogales. Two of them were riding in a Ford Contour car, with temporary driving permit number 112308, in the name of Fernando Garcia Perez (a presumed Federal Judicial Police [PJF] agent residing in the Federal District's Colonia San Pedro de los Pinos). The other, driving a Suburban with Jalisco license plates HVK-6410, apparently was guarding the former.

The victims (Juan Carlos Castellon, Juan Fonseca Rey, and Juan Manuel Flores Hurtado), according to reports from the Federal Public Prosecutor's Office, sustained at least 30 shots from AK-47 and AR-15 weapons. Some sources reported that they had been given the coup de grace, but that was not confirmed as of the close of this edition.

Two persons also riding in the Suburban (Lidio Valdes and Miguel Terrazas) were seriously wounded, and hence were immediately moved to the Delgadillo Araujo Red Cross facility. They showed bullet impacts on their backs, and it was impossible to take their statements owing to the seriousness of the injuries.

At night, the Fifth Military Region issued a press bulletin acknowledging the deaths of Air Force Lieutenant Juan Fonseca Rey, an aviator-pilot, and Infantry First Sergeant Juan Daniel Fuentes Calderon. Both belonged to that force's intelligence group.

Several witnesses reported that, while the military men were riding eastward, individuals in a van that was heading in the opposite direction began firing at them. The presumed drug traffickers fled from the scene, bound for the highway to Nogales. Nevertheless, according to unofficial reports, during operations conducted after the incidents, four persons, two men and two women, were arrested.

**A Corpse Found in Zapopan**

Hours earlier, policemen from Zapopan discovered the corpse of Jose Luis Padilla Lopez, aged 25, and indicated that his murder was associated with the drug traffic.

The PGJE [State Attorney General's Office] reported that the body was discovered in front of a house in the Colonia Residencial Victoria, on the floor of a van without license plates. The victim's hands were tied behind his back, he had two bullet wounds in his forehead, and his corpse was wrapped in plastic bags.

Judicial Police agents noted that they found no empty cartridges nor traces of any weapons. Hence, they presume that this person was killed elsewhere and later moved to Zapopan.

The victim's father, Jose Luis Padilla Quezada, claimed to be unaware of the reasons for his son's murder. He

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added that, on 12 July, the youth left Ocotlan, where he had settled with his family, remarking that he had not heard anything further from his son before being notified of his death.

He explained that, on weekends, the now deceased used to go to Guadalajara to visit some friends, and had even rented an apartment where he met with them. The State Judicial Police (PJE) announced that they are investigating the whereabouts of the car and the origin of the van in which the body was discovered.

**More Executions in the North**

Four other persons were executed, and their corpses found in Sinaloa, Baja California, and Coahuila. In at least two of the cases, their deaths are presumed to be linked to the drug traffic. In Rosario, Sinaloa (a municipality located 75 km from the port of Mazatlan), a peasant was murdered yesterday morning by three presumed drug traffickers, firing AK-47 rifles.

The victim was Salvador Plaza Toledo, aged 22, to whom local residents attributed disputes over the planting of drugs.

According to the Assistant Attorney General's Office, Plaza Toledo was working on a plot of land owned by his father when six subjects appeared in a yellow van with Durango plates, from which they fired shots at him.

Toledo's father, who was a few meters away, managed to escape and notify the authorities, who were unable to catch the killers. This crime brings the number of cases occurring in southern Sinaloa thus far this year to 76.

The murder of Sebastian Barraza Solis, aged 33, killed with two gunshots in Torreon, Coahuila, also was described as due to a possible settling of scores between drug dealers.

The incident occurred last Sunday, as the victim was leaving his residence located in the Colonia Residencial Nueva Rosita, when an unknown person arrived there and fired two shots at his face.

The police in Tijuana, Baja California, for their part, reported the discovery of a dead body inside a hotel in the town's northern zone. The victim showed signs of torture and strangulation, and it has been impossible to identify him thus far.

This death brings the list of murders with firearms documented by the authorities in Tijuana to 152 to date this year. That total exceeds the number of murders reported last year by nearly 35 percent.

According to the PJE's homicide group, 80 percent of the murders were committed with firearms, and at least a third were associated with disputes among drug vendors competing for control of the local market.

Meanwhile, the PGJE reported that, in Mexicali's Colonia Vicente Guerrero, two individuals killed Ruben Avendano, aged 24, with two gunshots, apparently in a settlement of scores. No further details on this crime could be learned.

**Mexico: Jalisco Governor Seeks Army Anti-Crime Aid**

*96GE0085B Mexico City LA JORNADA in Spanish 15 Jul 96 p 1*

[Report by Gerardo Rico — received via Internet]

[FBIS Translated Text] Guadalajara, Jalisco, 14 Jul—The PAN [National Action Party] governor, Alberto Cardenas Jimenez, will request the Mexican Army's intervention "in an attempt to curb the crime that is occurring in the state." He claimed that there is concern among the state and municipal governments regarding problems that are appearing in the southern and coastal areas of Jalisco, such as those related to land holding, cattle rustling, and public insecurity. For this reason, he considered the Armed Forces' intervention necessary.

The state's chief executive did not specify the systems whereby Army forces could intervene in the state, but within the next few days he is expected to send the pertinent proposal to the local Congress, which will begin holding a special session this Monday.

Cardenas Jimenez and other Jalisco government officials have on several occasions underscored the cooperation that they have with the Fifth Military Region and the representatives of the 15th Military Zone in activities such as fighting drugs and various types of social action.

Following the dismissal of Captain Horacio Montenegro Ortiz from the Directorate of Public Security (DSP) on 20 February of this year, military authorities accredited in Jalisco prohibited retired military personnel from joining the Municipal Public Security directorates in the Guadalajara metropolitan zone. Because of this situation, the PAN mayors opted to hire civilians, although in the Jalisco capital that position is held by Senior Navy Lieutenant Alejandro Flores Balderas.

According to figures from the State Attorney General's Office (PGJE), the crime rates in Jalisco have risen over 20 percent compared with the 1995 records. Between May 1995 and 1996, 16,040 car thefts occurred in Guadalajara's metropolitan area. Of that number, 66 percent were committed in the Jalisco capital, and the rest in municipalities such as Zapopan, Tlaquepaque, and Tonala.

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Press reports indicate that over 25,000 weapons are circulating in Guadalajara, without any control. They range from 22-caliber revolvers to nine mm squad guns, 357 Magnums, AK-47 rifles, "banana clips," and even fragmentation grenades, and many enter the city by way of Nuevo Laredo, Tamaulipas.

**Mexico: Lozano Seen Target of 'Narcos,' PGR Groups**

*96GE0086A Mexico City LA JORNADA in Spanish 24 Jul 96 p 1*

[Article by Juan Manuel Venegas — received via Internet]

[FBIS Translated Text] The direct accusations of corruption made against Antonio Lozano Gracia, the grenade at inspector Tristan Sanchez Canales' residence, and the murders of officials from the Attorney General's Office (PGR) in Tijuana constitute "an attack" by the drug traffic and "most likely by some internal groups opposed to" the administration of the PGR's director. This opinion was expressed by officials from that agency, which began responding to those "attacks" yesterday.

In a communique, the PGR gave notice that the charges made by Ricardo Cordero Ontiveros to the press have been turned over to the Secretariat for the Comptroller's Office and Administrative Development (SECODAM), so that the irregularities allegedly committed there, such as the sale of assignments, may be investigated more impartially and transparently.

The PGR stressed that it is not responsible for the life of, or any action taken by Cordero, an ex-official of the National Institute To Combat Drugs (INCD). It also demanded that he submit the evidence that he claims to have to the authorities, and not just to the news media.

Cordero Ontiveros (against whom there are administrative proceedings for irregularities in his work, and a preliminary investigation for the presumed crime of bribery), arrived in the INCD during May 1995. He was recommended by Mario Leal Campos, a PAN [National Action Party] leader in San Luis Potosi and ex-mayor of that state's capital.

Lacking experience for the positions that he held, because he had been engaged in industrial advertising, Cordero has claimed that, during his stay in the INCD, he became aware of the "protection given by PGR agents to drug traffickers, virtually becoming their escorts and guards for drug shipments." At a press conference yesterday, he accused the current PGR representative in Baja California, Luis Antonio Ibanez Cornejo, of giving protection to the Arellano Felix brothers. Also, in a radio interview with the reporter, Jose Reveles, he reiterated that, when he reported the anomalies in Tijuana to Attorney General Lozano Gracia, the latter, "very angry, rose from his seat and told me that he was given $3 million for that assignment (Tijuana)."

He claimed to have received "constant death threats" since he made the anomalies in the PGR public.

With the desire that justice be done and that Lozano Gracia's "irregularities" as head of the PGR be revealed publicly, Cordero Ontiveros implicated the PAN top echelon, sending letters to Carlos Castillo Peraza, Felipe Calderon Hinojosa, Vicente Fox Quesada, and Ernesto Ruffo Appel. He already has held a meeting with Calderon.

The PGR had remained silent concerning those accusations, but finally issued a communique yesterday.

It announced that, on 22 July, the attorney general "issued an official note" to the SECODAM head, Arsenio Farell Cubillas, "requesting his intervention regarding the charges" made by Cordero Ontiveros through various news media.

The PGR explained that the procedure in such cases is for "the Internal Comptroller's Office itself to be the investigative body." It added: "However, considering the seriousness of the accusations, and in order to lend total openness and impartiality to the investigative process, the attorney general requested SECODAM's intervention."

Finally, the PGR demanded that Cordero Ontiveros submit the evidence that he claims to possess, "which he is obliged to do."

In his charges, Cordero has opted to have recourse to the PAN leadership; but, on the other hand, he has not appeared before the SECODAM's General Directorate for Service to Citizens to submit the "evidentiary" documents that he claims to have available.

**Cordero's Background**

Official information obtained by LA JORNADA in Tijuana indicates that Cordero Ontiveros, the INCD's ex-director for seizures, and ex-chief of the institute's operations in that border town, was dismissed for "multiple irregularities" during his tenure in the agency.

Prominent among other irregularities are threats against officials of the Confia Banks, extortion of persons in custody and of public prosecutors' offices, and bribery. A preliminary investigation is currently being conducted against him for the latter offense, because there is testimony that he received $50,000 for releasing

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two presumed "narcos" arrested with over 330 kg of marijuana in their possession.

Further testimonial evidence contained in the preliminary investigation being completed is the statement of an ex-agent of the Federal Public Prosecutor's Office, who claimed to have been pressured to deliver $50,000 to Cordero Ontiveros for not being implicated in the same case relating to the "narcos" who were arrested and then released.

**The Attack Against Lozano**

Some PGR officials who were questioned about these charges discern in this entire context an "attack" against Lozano Gracia's administration as director of the PGR.

They reported that, during the past few days, not only have Cordero's accusations occurred, but also "an act of intimidation" committed against the inspector, Tristan Sanchez Canales, with a grenade thrown at his residence, as well as the murder of the Federal Judicial Police commander, Isaac Sanchez Perez.

This "attack" could be coming from "the drug traffic," and even from "internal groups in the PGR" that are opposed to Lozano Gracia. The sources claimed: "Nothing can be ruled out."

Now four days since the murder of Commander Sanchez Perez, the rumors are indicating that an internal settling of scores is involved: one in which personnel of the PGR itself may have participated.

**Mexico: Zapopan Ambush Probe Transferred to PGR**

*96GE0086B Mexico City LA JORNADA in Spanish 24 Jul 96 p 1*

[Article by Gerardo Rico — received via Internet]

[FBIS Translated Text] Guadalajara, Jalisco, 23 Jul— An informant for the Fifth Military Region, Juan Carlos Castellanos Alvarez, was the third person killed during last Monday's ambush set up by presumed drug traffickers for a military convoy that was investigating drug trafficking activities. This was confirmed by the agent of the Federal Public Prosecutor's Office assigned to the Forensic Medical Service.

The State Attorney General's Office (PGJE), for its part, issued a communique in which it declared itself disqualified to investigate the case. Therefore, it will send the case records to the Attorney General's Office (PGR), citing as grounds the fact that incidents relating to the drug traffic are involved.

Since the attack against the military, on Vallarta Avenue, Mexican Army personnel, in cooperation with the National Institute To Combat Drugs, have been patrolling the Guadalajara metropolitan zone. It was reported that, to date, they have "blown up" seven safe houses, located mainly in the suburban municipality of Zapopan, in which the perpetrators of the attack presumably had been staying.

Meanwhile, the bodies of the two military men killed in the ambush, the aviator-pilot Juan Fonseca Rey, and Infantry First Sergeant Juan Daniel Fuentes Calderon, were moved from the Forensic Medical Service to the military installation known as the "Colorado Barracks," where wakes were held for them, and they received tributes from their companions.

Included among those attending was Captain Horacio Montenegro Ortiz, the former head of the Directorate of Public Security (DSP), who was dismissed from that position after the failed rescue of the young kidnap victim, Elba Rosa Frank Ramirez, who was shot to death on 19 February.

Montenegro Ortiz mourned the deaths of two of his ex-collaborators. He remarked that, with this incident, the slogan to continue the battle against the drug traffic has been reinforced, claiming that, as a result, the activities in Jalisco and other states in the western part of the country will be intensified further.

He expressed the view that acts of violence will continue in the state unless specific systems are created to fight crime.

In Record No. 1441/96 of the Public Prosecutor's Office assigned to the Forensic Medical Service, it is explained that the informant who was killed, a member of the Fifth Military Region, had a temporary permit to carry arms, and had been using another name as well. He also was identified as Salvador Flores Mendoza.

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## Honduras

### Honduras: 'Barracks Coup' Said Foiled 27 Jul; 4 Arrested

*PA2907205396 Tegucigalpa LA TRIBUNA in Spanish 29 Jul 96 p 3*

[FBIS Translated Text] A "barracks coup" [golpe de barracas] was reportedly foiled on 27 July, and as a result four officers were arrested, including Colonel Carlos Eduardo Andino Cobos, instructor at the Command and Staff Academy [Escuela de Comando y Estado Mayor].

According to the brief information LA TRIBUNA has been able to obtain, the Armed Forces experienced their own "schism" on 27 July, paradoxically, while the attention of the Honduran people and the media was totally focused on the arrival of Hurricane Cesar.

The plot was reportedly conceived at the home of one of the colonels of the eighth graduation. General Mario Raul Hung Pacheco was in Trujillo along with General Bruno Fontana, commander of the Navy, and with Defense Minister Jose Luis Nunez Benneth when he reportedly found out that something abnormal was going on against him inside the institution as a result of unconcealable intrigues and discomforts.

The aforementioned military officers, several deputies, and the board members of the Central Executive Council of the Liberal Party had traveled to Trujillo to participate in a seminar sponsored by the Friedrich Naumman Foundation on the transfer of the police to civilian hands.

Even though President Carlos Roberto Reina's meeting with the military officers had been scheduled to take place, he was finally represented by Third Vice President Guadalupe Jerezano.

His brother, Jorge Arturo Reina, also brought to the meeting the president's message stating there were cordial relations between his party and the Armed Forces.

The seminar in which Hung Pacheco was participating was scheduled to take place throughout the weekend but was abruptly cut short to a single day.

It surprised everyone that despite the bad weather conditions prevailing along the Atlantic seaboard, Hung Pacheco traveled to Tegucigalpa along with his men of confidence immediately after speaking to the group of invited guests. In addition, it was strange to see his vehicle parked outside the Government Palace that same night.

It was revealed yesterday that all mid-level commands were asked to assemble at the staff offices, but no explanations were given to them, because they were only told they should remain there until "further notice."

#### Hung Pacheco is Unavailable

LA TRIBUNA wanted to learn of Mario Raul Hung Pacheco's version, but once again the usual military silence rendered the mission impossible. The excuse was that "the general" was "out."

The only official version we were able to obtain was that of one of the spokesmen of the Public Relations Office of the Armed Forces, Colonel Mario David Villanueva, who said he was absolutely unaware that something abnormal was going on and that he did not believe the reports were true.

LA TRIBUNA has learned from reliable sources that Colonel Andino has been "confined" to a military unit in the outskirts of the capital while the three mayors are at the Honduran Air Force.

### Honduras: Armed Forces Note 'Tacitly' Admits Coup Attempt

*PA3007000596 Panama City ACAN in Spanish 2116 GMT 29 Jul 96*

[FBIS Translated Text] Tegucigalpa, 29 Jul (ACAN-EFE) — The Honduran Armed Forces tacitly admitted today that on Saturday they foiled an attempt to overthrow Armed Forces Chief General Mario Hung Pacheco and confirmed the arrest of four officers, one colonel and three majors, involved in the plot.

In a communique, the Armed Forces stressed that "all Armed Forces officers have their official chain of command to vent their grievances and to ensure that these reach the institution's decisionmaking levels."

Thus, the communique adds, when an officer "departs from these channels, speculation and rumors arise, which interested sectors use against the institution."

The communique does not textually say that there has been an attempted "barracks coup" against Hung Pacheco. But Armed Forces spokesman Colonel Mario Villanueva said that "some officers have been summoned to give depositions and report why they have given statements on a whole range of points that they consider have not been properly addressed by the institution."

The report on the attempted "barracks coup" against the chief of the Honduran Armed Forces was released today by LA TRIBUNA, which is edited in Tegucigalpa.

Villanueva confirmed that Colonel Eduardo Andino Cobos, an instructor at the Command and Staff School,

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and three majors, are under "preventive" detention at a military unit.

The same source added that a commission investigates and questions Col. Andino Cobos and the three majors, which he only identified as Jose Amilcar Flores, by his full name, and another surnamed Paz Sevilla.

The communique by the military officers also states that "there cannot be any denial that as uniformed citizens and part of society itself, the officers and their families suffer the same problems, especially economic, as regards their salaries and the budget in general."

The communique also states that "they rule out any breakup in the institution's unity and observance of current command goals of support to national interests and to the current administration."

The military officers conclude that they work for "the reconciliation of the Honduran family, and give definite proof of this," and that they will not allow "speculation inside or outside their ranks that tends to deviate the institution from its main purpose of maintaining peace and security for the true development yearned for by all Hondurans."

The day of the attempted barracks coup, Gen. Hung Pacheco was in Trujillo, in the country's Caribbean area, where he was taking part in a seminar on the transfer of the military police to civilian power, together with government officials, political leaders, and other sectors of the country.

The plot was uncovered following a call to an Air Force officer in Tegucigalpa, which allowed Hung Pacheco to be warned that there was an attempt to take his command baton. In the capital, there was no movement of troops or other activities that might have reflected an alteration of order in the garrisons.

## Panama

### Panama: Talks on U.S. Bases May Violate Treaties

*PA3007005796 Panama City EL UNIVERSAL in Spanish 28 Jul 96 p A5*

[FBIS Translated Text] Arnulfist Party [PA] Legislator Pablo Quintero has affirmed that the exploratory talks Foreign Minister Ricardo Alberto Arias is holding with opposition parties on the negotiations on the U.S. military bases could constitute a violation of the Torrijos-Carter treaties.

Quintero noted that when the treaties were signed in 1977 they contained a clause that stipulated that they must be faithfully complied with, something that contrasts with the PRD [Democratic Revolutionary Party] irresponsibility when it opened the possibility of holding negotiations with the United States before 2000.

The ruling party's stance, according to the legislator, is a betrayal of General Omar Torrijos Herrera's memory, who acknowledged when he signed the treaties that the colonial enclave would end at noon on 31 December 1999.

In the opinion of the legislator for the province of Herrera, the most ideal situation would be to postpone negotiations until the treaties have been complied with, and it should touch on economic compensations and not allow the bases to stay for free, as the North Americans want.

Foreign Minister Arias has held meetings with the Civic Renewal Party and Molirena [Nationalist Liberal Republican Movement] to discuss the views with regard to a possible negotiation of the U.S. military bases stationed in Panama.

### Panama: Adviser Says Country Ready To Negotiate Bases

*PA3007010196 Panama City EL UNIVERSAL DE PANAMA in Spanish 29 Jul 96 p 1*

[Report by Gerardo Berroa Loo]

[FBIS Translated Text] Adolfo Ahumada, Foreign Ministry adviser and former negotiator of the Torrijos-Carter treaties, has said that Panama is ready to negotiate with the United States a possible permanence of military bases after the year 2000.

Ahumada said he agrees with Diogenes de la Rosa, also a former negotiator of the Panama Canal treaties, in the sense that this country has accumulated sufficient experience in negotiations with the United States, more than any other nation in Latin America.

"We are prepared, of course we are prepared, we have an accumulated experience and, in this regard, I agree with Dr. Diogenes de la Rosa's viewpoint but only as long as more consultations are held. Panama has a lot of experience. I would say it is the country with the most experience in Latin America in its relations and negotiations with the United States. I agree with Dr. Diogenes de la Rosa on that," Ahumada said.

Ahumada said, however, that it is necessary to listen to the opinions of all sectors of society before sitting down at the negotiation table.

"The consultation process with the various political parties is precisely to listen to their opinions and determine if there is a sufficient national consensus to enter a negotiation process. Not even exploratory

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talks have been held, therefore, I believe the time for Panama to decide whether it should enter a negotiation process has not arrived yet. We are now talking to the political parties. We still need to speak to the labor unions, the business association university people, and the transportation sector, because you cannot leave these people out and make a decision," the former negotiator said.

Meanwhile, the People's Party, which is being formed, believes the diversity of expressions from government and political fronts as well as from U.S. leaders, regarding the interest to continue occupying military bases, visibly contrasts with the ambiguous and suspicious diplomacy of the State Department and of the U.S. Embassy in Panama, which is trying to make it seem that the majority of the Panamanian people want the continuation of that U.S. military presence.

**Panama: Law Professor Says Canal Bill Unconstitutional**

*PA3007044396 Panama City EL UNIVERSAL DE PANAMA in Spanish 28 Jul 96 p 2*

[FBIS Translated Text] During the 1st Conference on Social Communications held on 28 July in Bambito, Chiriqui, university law professor Miguel Antonio Bernal said that the Panama Canal Authority created by President Ernesto Balladares' bill would make this entity determine the future of the country. Moreover, lawyers Winston Robles and Simeon Gonzalez added that certain articles of the bill conflict with the Panamanian Constitution.

Dr. Gonzalez, a law professor at the University of Panama, said that Article 10 of the bill violated the Constitution because it eliminates the concept of presumed innocence by establishing that: when dealing with police or criminal action for felonies or misdemeanors committed in the canal or its installations, the reports of the authorities will be presumed true with regard to the investigated actions and will be punished according to the penalties contemplated in the appropriate law.

Moreover, Dr. Robles and Dr. Bernal said that Article 122 of the bill violates the Constitution because it establishes that: under no circumstance, in the jurisdiction relating to action under administrative law, can a temporary suspension be decreed against any action brought by the Canal Authority before that jurisdiction; nor can the suspension of an action taken by the Canal Authority proceed legally by appealing to an amparo of individual guarantees.

In Dr. Bernal's opinion, the bill also violates international treaties and agreements signed by Panama, adding that the Panamanian Supreme Court has for some time been systematically eliminating the concept of amparo of individual guarantees that, according to the Constitution, can be filed by any individual, but that, according to a recent Supreme Court decision, only involves the relatives of the person affected.

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## Argentina

### Argentina: Cavallo Views Removal as 'Intelligent' Decision

*PY2907141696 Buenos Aires TELAM in Spanish 2142 GMT 27 Jul 96*

[FBIS Translated Text] Buenos Aires, 27 Jul (TELAM) — Domingo Cavallo, who on 26 July was dismissed from the Economy Ministry, today explained that he leaves the government without any rancor, reaffirming President Carlos Menem's "leadership," and remarking that the decision to remove him from the ministry was "intelligent."

Cavallo admitted that his worst "mistake" was "to exhaust" his "capacity to persuade" Justicialist Party lawmakers. He denied that he reached a "legal impunity" agreement.

During a press conference at the Sheraton Hotel, Cavallo praised his successor Roque Fernandez, noting that he has "every possibility of rendering valuable service to the country."

He said: "Argentines will now show that this new economic organization and the new rules of the game do not depend on a specific person, because they can resolve problems of the country with continuity, without ups or downs, and without shocks."

Cavallo said that as of now, as a plain citizen, "I will do everything within my reach for Argentines to show the soundness" of the economic reform.

The minister remarked that the main immediate challenge is that the economy will now need "political support" from Congress for the approval of the delayed bills.

The minister denied that the decision to replace him caught him "unprepared," remarking that "President Menem and I on several occasions spoke of how I might step down."

He added that "we talked about it on the morning of 26 July," explaining that, "I did not know the exact number of hours and days that would pass" before being replaced.

Cavallo said: "It is something that both President Menem and I were expecting."

He added that the decision finally had to be made, because "there were permanent comments on the replacement of the minister, which caused uncertainty," emphasizing that "I am neither surprised nor annoyed."

Cavallo said: "President Menem has always very intelligently handled political decisions. It is one of his virtues as a chief of state, and this time — as on previous occasions — facts will show that he did the right thing."

Concerning the possibility that he may now be asked by the courts to answer charges against him while in the portfolio, Cavallo replied: "I feel very calm and I am available to judges and to all those who have doubts about my behavior, so I may be appropriately brought to trial."

He categorically denied that he arranged "legal impunity," noting that "such arrangements are not made anywhere in the world and, moreover, the courts are part of an independent branch."

Cavallo said Roque Fernandez will render "valuable service to the country," remarking that "Fernandez, in his capacity as Central Bank president, and having worked for the government since the start of the Menem administration, could not reject a ministerial post."

Cavallo stressed: "Roque Fernandez has all the technical skills required of an economy minister. He does not lack anything and, in addition, he is very experienced."

The former minister added that he was not surprised at Menem's mentioning the possible designation of Roberto Alemann, because "we mentioned it several times." He said he believes "it was the first possibility that had to be considered."

Cavallo said that during this new phase, the key fact will be the preservation of the central rules of the game of the "formidable transformation led by Menem" and, in this regard, he put all the responsibility on the shoulders of government party lawmakers.

He said: "Everything depends on the preservation of the rules of the game, and this depends on political leaders, particularly those of the government party."

He added that it is essential for "the bloc of Justicialist Party senators and deputies to support" the approval of laws that "are needed to continue with the economic reforms."

"I am happy to see that lawmakers are now willing to approve the pending privatizations, like that of Yacyreta, the nuclear power stations, and the airports," he said with a touch of irony.

Cavallo noted that "there is no disagreement within the cabinet, and much less with President Menem," adding however that "because of my mistakes, I exhausted my capacity to persuade the Justicialist blocs."

He added: "Perhaps I overdid the pressure and the persuasion effort over the laws we were needing. This eroded my position, thus it is logical for deputies and senators to want to see a new face."

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As to whether he is considering the possibility of entering the political arena, Cavallo concisely said: "I always concentrated on my ministerial duties and never thought about an electoral future."

He added that he is "unaware" that his replacement caused concern in other strong Latin American economies like those of Mexico and Brazil. He said he already talked with Fernandez by phone, "wishing him success."

He added that he told his successor he believes the support of Congress is vital for the approval of major pending economic laws.

Cavallo also promised to keep silent "for several months" in the debate on Argentine economic affairs, adding that he will devote his time to train technical teams to draw up proposals with which to finance education, justice, security, and health projects.

**Argentina: Economy Minister-Designate Outlines Tasks**

*PY2907174596 Buenos Aires Todo Noticias Television in Spanish 2009 GMT 28 Jul 96*

[News conference by Economy Minister-designate Roque Fernandez at Government House in Buenos Aires — live]

[FBIS Translated Text] I would like to begin by introducing my assistants to you. These officials will accompany me during my administration of the Economy Ministry. I will then make some reflections about the task in front of us.

The secretaries who will work with me at the Economy Ministry are: Pablo Guidotti as finance secretary; Eugenio Pendas as economic programming secretary; Alieto Guadagni as industry, commerce, and mining secretary; Carlos Bastos, as public works and services secretary; Felipe Sola as agriculture, fishing, and food secretary; and Julio Caceres as coordination secretary.

The team of advisers will include Carlos Rodriguez as chief of advisers, as well as Guillermo Calvo, Humberto Petrei, and Carola Pessino.

Pedro Pou will be appointed Central Bank president and Javier Bolzico will become one of the new directors.

Now I would like to make some general comments. I will talk about measures or our administration's plans only after I am sworn in. Right now I wanted to introduce those who will work with me and make some general statements on our future course of action.

Just as the president mentioned during his news conference, we must take this change as a stage within a government plan of greater scope, a program that President Carlos Menem started implementing in 1989. That year he invited me to participate in the negotiations on the foreign debt. I started negotiating with multinational organization as an adviser. During all those years and after having served at the Central Bank as vice president, then director, and then president, and during all my meetings with the president I never had the slightest doubt about his convictions on the need to maintain the course of action that he had chosen from the very beginning.

Ministers and secretaries came and went, but from the very beginning Menem was adamant about the need to maintain the chosen course of action. Those were his instructions when I started negotiating, around the end of 1989. His basic instructions and goals were always the same: reform of the Argentine economy, state reorganization, reorientation towards a market economy, and insertion into world markets. I had those instructions in mind every time I had to perform a new task. My most important position of responsibility was the position of Central Bank president. Our negotiations with legislators on the state reform law, the country's economic reorganization, the privatization of public companies, or the economic emergency law, which made progress on some privatizations possible, gave me a lead on how to negotiate with Congress. Those were my first contacts.

We also worked on a proposal to reform Central Bank organic regulations. One of items in the state reform law recommended the creation of a commission to study and propose legislation leading to the Central Bank autonomy. From the beginning I was a member of the commission responsible for drafting the first proposals for change. I had my first contacts with ruling and opposition legislators in that capacity. Our work ended when we submitted a proposal to reform Central Bank organic regulations. We also drafted the law on financial institutions, which was complementary to the Central Bank regulations. We worked on other laws such as the reform of the law on checks. We worked to improve aspects of the Central Bank organic regulations and the financial institutions law during the worst stage of the crisis, at the beginning of 1995.

On all those occasions I had the support of the legislative branch, the Senate. It was not easy, because all changes demand an exchange of ideas, but that is the essence of a Congress. We talked, argued, and debated on every occasion in order to have the needed legislation approved and in order to show the country and the rest of the world how the Argentine Government was working. I have no doubt, whatsoever, that our work in the future will continue having similar characteristics. Re-

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porters usually wonder whether our relations with Congress can be smooth.

I would like to say that during the past few years at the Central Bank I had to maintain a fluent dialogue with legislators in order to have the necessary monetary and financial bills approved.

Of course the executive branch and Minister Domingo Cavallo also worked for these purposes with a number of advisers. They permanently gave us the necessary support to carry out these changes, which were very necessary at some point. As a consequence, today we have what President Menem calls a new stage, but this stage is marked by an economic situation that is not similar to the one we had in 1989.

Argentina's economic situation today is solid. Our monetary system, thanks to all the measures that have been implemented, has achieved price stability. This stability is not temporary because it has been in place for years already. We have achieved something unthinkable only five to 10 years ago in the Republic of Argentina. But our achievements are not only from a monetary or financial point of view.

The crisis that affected the Argentine financial system, as you all well know, was the worst in our history in financial terms. But thanks to the structural reforms that had been implemented the system survived with great strength. This difficult situation, you know, originated in the devaluation of the Mexican peso and the Tequila effect. Today we have a very solid and robust financial system. This is important to remove any doubts or uncertainties that might develop with respect to this new stage and the executive and legislative work in Argentina.

I can assure you that markets will open without any type of problems tomorrow. Our monetary and financial policies will be maintained. We will maintain the convertibility system. We will not introduce any changes in the foreign exchange rate. It is important to convey this message to our community. People can rest absolutely assured that the situation of the Argentine economy is solid, it will continue to be solid, and we will continue working on the reforms needed to consolidate what we have done so far.

I am not going to announce any measures because I won't be sworn in until tomorrow. We will work as a team. We have well-defined ideas, but we need to talk them over with other cabinet members and the legislative branch. We will announce what items we want to change and we will submit them for debate later. In general terms, however, I want to say that we have to work more on our fiscal problems. We have made a lot of progress in this area, but we will not be able to fully meet all our goals established with the IMF. We have already asked for the visit of a negotiating team. The mission will be arriving on 5 August. We need to work a bit more, I repeat, on our fiscal problems. We need to see how we can iron out some imperfections in our financial system referring to exemptions and subsidies. We also need to redefine our tax structure in the area of gasoline, but we will not create new taxes or increase tax rates. We will try to improve what we have and we will administer our public spending more efficiently. We will evaluate and revise assignations for next year's budget and for the remaining of this fiscal period.

We will also continue with the deep state reform program, which started a long time ago. Some cabinet ministers and legislators have already outlined the progress we have achieved in the privatization of public companies, Yacyreta, and nuclear power plants. The structural reform that started some time ago will continue and we will work together with Congress on pending tasks, many of which are already in the stage of debate.

The issue of tax reforms in Argentina is very complex. It is not something that can be decided in a day or two. The system has been undergoing a process of change and improvements for a long time. But it takes years to arrive at a tax structure that can be efficiently administered. I do not want to anticipate any measures, but there are some general principles that can be taken as starting points. I think a tax system must fulfill some basic principles such as equality, solidarity, and justice. In very simple terms, equality means that all people must pay; solidarity, that poor people must pay less; and justice, that those who do not pay must go to jail. These are the principles. Some proposals have already been submitted to Congress. We will work hard and quickly to have them approved, emphasizing that we must have an efficient system with enough simplicity so that it can be administered adequately. A good tax system is a system that can be adequately administered and we need a good administration in order to have fiscal stability. The country cannot be changing its taxes constantly. We have to choose a system, have it approved, and stay with it. This is the task we have in front of us.

I also want to say that in the past few hours I received the support of a group of assistants who will work with me. I thank them for accepting my invitation promptly. I had to talk with some of them on the phone because they were traveling. They could not come here today, but I discussed with them the task ahead of us and they all confirmed their acceptance. This is all I have to say now. I will now answer your questions. Thank-you.

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[Jorge Figueroa, DIARIOS Y NOTICIAS] Mr. Minister, press reports said today that President Menem had suggested you include former Public Income Secretary Carlos Tacchi in your team of advisers. I would like to know whether this is true, and if so, why you did not summon him.

[Fernandez] President Menem gave me full freedom to designate my assistants. He did not suggest any names to me.

[Marcelo Perade, Channel 13] I would like to ask you about the guarantees that you will give to make sure that, as of tomorrow, there will be no capital drain or pressure on the exchange rate and, above all, about the measures to calm down savings account owners and indebted money borrowers.

[Fernandez] There are absolute guarantees. That is, our monetary system has already shown that it can overcome much more difficult situations. This is no difficulty at all, this is simply a stage, a change of men. The same economic program continues, the sound bases with which we have built our economy are still there. I would therefore like to convey total tranquility, because banks will open normally tomorrow, operations will continue with the same daily pattern, and nothing should be feared in this regard.

[Guillermo Laborda, AMBITO FINANCIERO] I wanted to ask you about Argentina's short-term financial needs, and whether it is true that banks will offer some sort of bonds to Argentina to finance the obligations of the next few weeks.

[Fernandez] There is one offer, which has been made public, and which reflects the good predisposition of the domestic and foreign financial sectors to continue supporting and contributing to this transformation process in Argentina. As for the future, that is, figures and estimates for the future, I ask you to please give me time to take over and to get to work. We will then have much more fluent communications. Yet, I should first take over tomorrow, and I will then have additional information.

[Jorge Velazquez, CLARIN] Mr. Minister, I would like to know whether you will attach as much priority and importance to the collecting of taxes, and about the persons who will be designated to the DGI [General Directorate of Taxation] and to the customs office.

[Fernandez] I have already designated the secretaries. I will also rapidly get to work on the people for the other institutions and decentralized organs that belong to the Economy Ministry sector. But I will take some time to make the decision.

[Velazquez] Who will stay?

[Fernandez] The officials who are in charge of those areas.

[Luis Dinardo, NOTICIAS ARGENTINAS] Mr. Minister, your predecessor placed special emphasis on the deregulation of labor laws. I wanted to know your opinion on pending matters like the bill on collective labor bargaining and work hours, which the government submitted to Congress. I would also like to know whether lawmakers, who have promised to restart sessions next week, have promised to support those bills.

[Fernandez] Look, Labor Minister Jose Armando Caro has already briefed me on the subject. I obviously agree with what he has proposed and with the method for drawing up the bills. Yet, it is an area that falls essentially under the labor portfolio. I will accompany the process, giving the labor minister my opinions, but the main opinion on the bills specifically dealing with labor matters is that of the labor minister.

[Pablo Pla, America 2 TV] Good afternoon, Mr. Minister. Despite the fact that, as you mentioned, unemployment and labor are Labor Ministry topics, are you planning any measures on the reduction of unemployment and, at the same time, taking into account that the CGT [General Confederation of Labor] is about to call for a strike, aren't you planning some sort of meeting to try to prevent this strike?

[Fernandez] Even though it is true that it is a Labor Ministry subject, I will not evade my responsibility in connection with macroeconomic matters. I simply want to reiterate what I said at the ABRA [Argentine Banking Association] conference in my capacity as Central Bank president, which addressed the specific point of unemployment in Argentina. The topic is far too serious to indulge in the false solutions that are frequently proposed. Such false solutions are that the unemployment problem can be resolved with a bit more of inflation, by closing the economy, or with a devaluation. Those are all false solutions that will in no way resolve the problem. To resolve the unemployment problem, the economy must grow, maintaining its stability, with increased investment creating new jobs. I believe we must aim all efforts at those key factors, which are intimately related to the state's solvency, which is the foundation with which it is possible to make progress in those areas. I believe those are the key points with which we can reach a stable solution to the unemployment problem.

[Mariano Viasatti, CRONICA TV] Mr. Minister, will the measures to balance fiscal accounts include a gas oil price increase, the reestablishment of withholdings

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on the farm sector, and a reduction of export reimbursements?

[Fernandez] As for fuel prices, we will work on it but I'd rather not give any details. As for the withholdings on the farm sector, no action has been planned in this regard.

[Fernando Cason, Radio Continental] Mr. Minister, Dr. Domingo Cavallo was concerned yesterday that you would not be strongly supported by senators and deputies, because they were impressed by the situation in the interior of the country. Do you think you will find solutions with the measures that you will adopt as the head of the economic portfolio?

[Fernandez] I believe that whenever I needed debate and analysis of projects, and whenever I asked for them, I found a positive response within Congress. I believe that such matters must be raised before the lawmakers who have already expressed themselves, and also before the other cabinet members or ministers. I reiterate that we are engaged in team work. There is a government that is working to resolve problems, and I will now add my own efforts to those of the team, as I was doing from the Central Bank. Consequently, we will work and I am fully sure that we will continue with the transformation of our country, and that we will attain the objective that all of us cherish.

[Garcia Yerena, LA NACION] Mr. Minister, some cashier offices of the federal capital did not release any dollars over the weekend, while neighboring countries also did not exchange pesos for dollars. What will you do to face a possible unusual market demand on 29 July?

[Fernandez] This type of event has frequently occurred, and it has always been resolved. That is, the supply of banknotes, currency convertibility, and the international reserves at the Central Bank are all guaranteed in order to prevent that type of problem.

[Fabian Rubino, Radio Mitre] Good afternoon. Mr. Minister, I would like to insist on the following question: What is your advice to society, which still has some kind of uncertainty? Can people continue to contract credits? Do they have to save because there will be more adjustments? What is your message to retired workers, who are in one of the most openly unprotected sectors, which has been harmed by this economic plan?

[Fernandez] The message that I can give is that the reforms that Argentina has been undertaking since 1989 will permit us to find a stable solution to those problems. It would not be prudent for an economy minister to promise immediate solutions and to say that results will be accomplished in one week or in one month. We are working on the key problems, and we are resolving them. I believe we should not unnecessarily awaken expectations that many of those things can be resolved overnight, because it is not true. We must work, we must work on those projects, debate them, and then implement them. This will give us the stable solutions, and it is important to notice that they will be stable, because the temporary solutions that were tried in the past proved to be nothing but temporary. I believe the course of action the government has chosen entails a permanent, irreversible reform, as President Menem has said on many occasions. This reform will lead us to a situation in which it will be easier to resolve social deficiencies, which do exist and which we do admit. Yet we have to work on the roots of the problem, so that we may improve our economy in order to take more consistent action on this type of dificulties. Such difficulties actually exist, we are concerned about them, and we are working on them.

[Rubino] And what about the first question? Should people be told (?to just drown)?

[Fernandez] People must work on the basis that there is a government that is not introducing any change that will affect their daily life. That is, I believe people must calm down and understand that the achievements — like stability, a much more transparent economy, and an economy that underwent a major opening and that has been modernized with the incorporation of capital goods and technology — will in time let people increase their consumption level. The decision to either consume or save is individually made by each person. I believe that consuming is as good as saving. It is an individual decision that depends on the situation of each person, and I believe this is the context in which the decision is made.

[Dario Lofreite, Radio del Plata] Good afternoon. Among other things, Minister Cavallo managed to defeat inflation. Do you think you will manage to defeat the high unemployment rate? Can you promise that?

[Fernandez] I have already said that we will work on the long-term causes of this problem. We should not awaken false expectations that the matter will be resolved overnight. Yet it is undoubtedly a key issue for all of us, and we will work on the roots of the problem.

### Argentina: Fernandez Plans To Collect More, Spend Less

*PY2907231396 Buenos Aires CLARIN in Spanish 29 Jul 96 p 3*

[FBIS Translated Text] Roque Fernandez has at hand a package of measures designed to increase tax collection

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and reduce state expenditures. The details will be defined as soon as he assumes his post as new economy minister this afternoon, and the measures may even be announced this week.

The measures have an immediate objective in mind: cover the fiscal deficit in order to bring public accounts up to IMF standards.

Although it was decided yesterday to eliminate withholdings of export taxes for agricultural products, the following other proposals are still valid:

Increase the fuel tax. There could be a readjustment between fuel and fuel oil taxes. The result would be favorable for the treasury because it would eliminate tax exemptions and would mean a greater collection of revenues without it entailing a nominal increase of the tax.

Subsidies for railway transportation and tolls, which represents a 120 million pesos expenditure for the state, may be eliminated.

Measures may be implemented for the financial system to shoulder part of the fiscal adjustment, eliminating costs covered by the Central Bank and transferring them to the private sector.

A reorganization of the export tax refund system is being studied. Some GATT criteria will be implemented across the board. These measures will represent a saving for the treasury to the detriment of the exporters' profit.

The implementation of the second state reform in decentralized organs and ministries will be advanced. This will not represent a net saving but will allow for the reallocation of funds in order to eliminate chronic sources of deficit.

**Argentina: Menem Speaks At Fernandez' Swearing In**

*PY2907224596 Buenos Aires Argentina Televisora Color Network in Spanish 2108 GMT 29 Jul 96*

[Speech by President Carlos Menem during swearing-in ceremony of Economy, Public Works and Services Minister Roque Benjamin Fernandez at Government House in Buenos Aires — live]

[FBIS Translated Text] National, provincial, and municipal authorities, representatives of the Armed Forces, of the Argentine Federal Police, the security forces, ladies, and gentlemen: Fulfilling a procedure established right from the beginning of our administration it is my duty to say a few words at such a significant moment for the present and future of the Argentine Republic. We have just sworn in Roque Benjamin Fernandez as the new economy, public works and services minister of the Argentine Republic. We are also bidding a cordial and warm farewell to one whom on innumerable occasions I have labeled, and I want to say it again now, the best economy minister the Argentine Republic has had practically throughout its entire history [lengthy applause]: Domingo Felipe Cavallo.

Farewells and welcomes are always very moving. But the important thing is that despite this change, the policies implemented in 1989 will be maintained with Minister Fernandez. Cavallo accompanied us for about seven years. First as foreign minister and later on as economy, public works and service minister. We still have three years, or a little more — three years and a couple of months — ahead of us in government. It is not easy to further implement our policy with the same philosophy, while at the same time trying to improve some aspects of it which — as Cavallo very appropriately stated during a magnificent press conference yesterday — we were not too happy with, so to speak. But this experience should give us the necessary tools, with the support of Congress as it should be, so that Argentina may continue to grow and project itself into the world as one of the countries with the greatest opportunities within the family of nations.

I am aware of and have confidence in Fernandez' capacity and courage. He is a very well-prepared person. He is a man who has been working within this field so significant and so important to the Argentine nation, that is, the economic field, the financial field. In his capacity as president of the Central Bank, he helped us overcome the effects of the Mexican crisis. Due to the attitude, the firm and solid attitude shown at that time, we are able to once again, or better said, are able to continue this growth process that already is beginning to show this year. Not more than one year ago we were able to overcome a downturn or stagnation resulting from the crisis.

Therefore, I believe the conditions exist to continue with the process of changes, with this process of transformation. The conditions exist because we do not improvise anything at all.

I had the opportunity to inform, as is only appropriate in view of the new concept of the economy, of the globalization of this aspect of the nations, the presidents of the Mercosur member countries of this change, so that it would not take them by surprise. I also told them we will continue on the same path, with the same determination, without any possibility of changes, only of changes to improve, but not to go back into the past, back to those times we have overcome. We never again want the 5,000 percent inflation rate per year we had once in the Argentine Republic, to the point that our

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currency was worthless. This is a key symbol to be able to seriously talk about sovereignty.

Therefore, I wish to point out that we are willing to continue fighting the corresponding battles. We want to get rid of tax evasion, we want to get rid of unemployment, rather we want to pulverize unemployment as I have stated on previous occasions. This is the path we are treading on, this is the path we are taking. The international organizations, the heads of those organizations with whom I have spoken, have promised to constantly help us so that we may attain our objectives.

Moreover, at this moment I also wish to thank all sectors of the Argentine community who have peacefully, as is only appropriate, accepted this transition in search of a country worth living in. This is what we seek for this generation and the future generations. This is what governing is all about. One should not govern, I would say, for today but rather to establish the foundations, so that when one is governing one is establishing the necessary conditions for future generations to find a country worth living in, as I have already said.

I want to cordially thank you for your presence and tell you that this friend of yours, this humble servant of yours, is not going to spare a minute of his life to make this country grow, develop and so make it one of the best countries in the world. This is the challenge that lies ahead of us, Fernandez and all the remaining ministers, of course.

And to Cavallo I wish to express my and the entire Argentine nation's full and absolute gratitude.

### Argentina: Stock Market Volume High, Up 3.5 Percent

*PY2907183796 Buenos Aires TELAM in Spanish 1746 GMT 29 Jul 96*

[FBIS Translated Excerpt] Buenos Aires, 29 Jul [TELAM] — The Merval index [leading companies indicator] reports that the stock market recovery that began early today continued to show a 3.53-percent increase.

The reaction was supported by a large volume of trading that reached 12.8 million pesos worth when operations reached midpoint in the day's trading.

The favorable trend shows 27 leading shares are up, five are down, and five remain unchanged. [passage omitted]

### Argentina: Industry Confederation Supports Stability

*PY2907190496 Buenos Aires TELAM in Spanish 2104 GMT 27 Jul 96*

[FBIS Translated Text] Buenos Aires, 27 Jul (TELAM) — The General Confederation of Industry (CGI) today expressed support for continued stability and economic projections during the tenure of Roque Fernandez, the new economy minister.

The CGI communique states: "The CGI expresses its support for conditions that must be confirmed and enhanced, such as economic stability and short- and mid-term projections, and for the review of ineffective or mishandled aspects."

The communique adds: "It is not possible to seriously implement any economic program without fiscal balance. A financial reform to support the productive sector is also a pressing need."

The CGI points out that this reform must be "accompanied by changes towards a more equitable tax system, struggling against tax evasion, and controlling the borders."

"During this new cycle, and regarding our country's new leadership, the CGI cautions the authorities and society on the necessity to stimulate productive sectors," especially the PYMES [Small- and Medium-Sized Enterprises] and very small enterprises.

The CGI adds that "social equity and a redistribution of resources through everyone's efforts, increased employment, and economic activities, will thus be guaranteed."

The communique notes: "Our organization confirms its unswerving desire to exchange ideas and to contribute toward dialogue, and to guarantee an atmosphere of cooperation and agreement with all sectors of society."

### Argentina: Industrial Union Supports Program, New Minister

*PY2907184796 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1942 GMT 27 Jul 96*

[FBIS Translated Text] Buenos Aires, 27 Jul (NA) — The Argentine Industrial Union (UIA) announced today that it fully supports the economic program "led" by President Carlos Menem and its "approval" of Economy Minister-designate Roque Fernandez.

The UIA Executive Committee held an emergency meeting to take an official stance on Domingo Cavallo's replacement as economy minister and expressed full support for the economic program.

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Through a communique, the UIA states: "The new economy minister showed technical capacity and ability to overcome difficult situations while discharging his duties in the Central Bank." The UIA thus hinted at the way Fernandez managed the financial crisis.

The UIA notes that the new minister "has the full support of the UIA, especially over his clear goal of maintaining convertibility."

The UIA reviewed former Minister Domingo Cavallo's performance, pointing out that "his achievements allowed us to achieve a competitive level and a stability that are now national assets."

Among its praise, the UIA seized the opportunity to solicit measures to breath new life into the economy and reduce unemployment levels.

The UIA points out: "We hope new economic measures will be implemented during this new cycle, measures to increase production, open new jobs, reduce public spending, and finance productive activities."

With the exception of UIA President Jorge Blanco Villegas, who is touring Europe, all UIA Executive Committee members participated in the meeting.

UIA Vice President Alberto Alvarez Gaiani, UIA Vice President Claudio Sebastiani, and UIA Secretary Diego Videla chaired the meeting with the government and formed a "mini-committee" to report the outcome of the meeting to other UIA leaders.

Following this report, the UIA leaders approved a communique unanimously supporting the economic program, as a gesture of friendship toward the government.

Thus, the UIA brought forward the meeting it had scheduled for 29 July, with the goal of expressing its support for Fernandez.

**Argentina: Alemann Questions Economic Policy**

*96SM0460A Buenos Aires LA PRENSA in Spanish 21 Jul 96 p 8*

[FBIS Translated Text]

**Alemann Proposes New Deficit Measures**

The package of decrees to reduce the budget and social-security deficits represents "very little," and thus the administration "will have to do something" to prevent the annual deficit from reaching five billion pesos and becoming "a chronic problem," former Economy Minister Juan Alemann stated yesterday.

The economist proposed including reimbursements in the profits tax base, changing "the computer systems at all levels, as is being done in the Anses [National Social Security Administration]," and as a complementary step "so that this works, privatizing tax inspection."

Revenue collection was precisely the aspect of Economy Minister Domingo Cavallo's track record that Alemann criticized the most, because "deep down he is still a supply-sider: he thinks that cutting taxes will reactivate the economy, after which revenues will rise, and everything will balance out." "This is not true; it (the system) does not work that way," he said in remarks to Radio Mitre, adding that in fiscal policy "we have to stop fantasizing."

In addition, he pointed out that "there could be" a wave of lawsuits, like the one filed by Fernando Dondero, the father of quadruplet girls, who will not be able to have his family allowances deducted.

Nevertheless, the economist noted that "in the end a test case will come before the Supreme Court, which I assume will rule in the administration's favor, because although the measure can be criticized, it falls within the powers" of the Executive Branch.

He also downplayed the importance of employer contributions on food coupons, predicting that once the decrees requiring their inclusion as wages are signed, "nothing will happen; companies are going to pay the contributions, and that's the end of it."

**Chronic Problem**

The administration has ordered changes in the system of family allowances, which will yield savings that Cavallo estimated at 600 million pesos, has required employer contributions on food coupons, and has reduced the PAMI [Comprehensive Medical Assistance Plan] deficit by 480 million pesos a year.

According to Alemann, this package of measures "will yield very little, even less than Cavallo says," and thus "the way we are going, we'll have a deficit of close to five billion pesos for the entire year." The first-half deficit was 2.508 billion, 1.033 billion more than the official forecast. "That's a lot, and the worst part is that it is then projected as the deficit for next year. We're getting into a chronic problem," Alemann warned.

Asked about the rumors of fresh measures to keep on cutting the deficit, Alemann ruled out the possibility of going back to withholding on exports, one of the first tools that Cavallo abolished in February 1991.

As for reimbursements (the opposite of withholdings), he acknowledged that "some could be cut and others eliminated, but I would first propose that they be included in the profits tax base." "At present they are not paying, and this is absurd," he indicated, referring

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to the fact that the Treasury would take in some 360 million additional pesos this way.

**Argentina: Editorial Views Fiscal Measures**

*96SM0458B Buenos Aires CLARIN in Spanish 20 Jul 96 p 18*

[Editorial: "An Emergency Solution With an Uncertain Ending"]

[FBIS Translated Text] The fiscal adjustment put forth by the economic authorities and backed by the administration shows that the government has failed to control expenditures and revenues. The measures that have already been taken and the ones anticipated in the immediate future will unquestionably carry a social cost and may very well have an effect that is the opposite of what the administration expects since they will shrink the tax base.

The reduction and elimination of family allowances will reduce the income of a considerable number of workers, in many cases to a significant extent. According to the estimates made on the basis of official information and published in this newspaper in recent days, they will affect 2.4 million people and, for many of those earning more than 1,000 pesos, will mean a cut of almost eight percent in their income. Some retirees will also see their income decline, and only 20 percent of wage-earners will benefit from the redistribution of subsidies.

The inclusion of food coupons in income will affect both the wage-earners who will lose some of these benefits and the small companies that, now having to include them in current pay, are in no position to afford heavier social-security taxes.

The official program has prompted understandably negative reactions from the population and union strike threats.

The business community has supported it with some hesitation and qualifications, perhaps regarding it as the only way to contain a mounting deficit and to avoid weakening the economy minister. It is cause for concern, however, that the rules of the game have once again been changed through an emergency decree, thus fueling economic uncertainty and insecurity.

The measures in question are an attempt to provide an emergency solution to a problem that had been expected. A deficit of 1.475 billion pesos had been projected and agreed upon with the International Monetary Fund for the first half of the year. However, the actual deficit was 2.5 billion, in other words 69 percent higher than anticipated and equivalent to the deficit allowable for the entire year. The chief cause of this rise is the mounting deficit in the social-security system.

The changes in the allowances will reduce social-security outlays. Upcoming measures, such as the elimination of tax breaks and reductions in subsidies to providers of public services, will help shrink other budget items.

This will not be enough to dispel doubts, however. In the first place, because the estimated spending cuts are apparently not deep enough to close the current gap. And secondly, because the measures will adversely affect income, which will hurt the revenue-generating capacity of the tax system based on consumption levies.

Therefore, this is a socially problematic option that carries a considerable political cost and, in any event, does not guarantee that one of the main imbalances of the current economic program will be resolved.

**Argentina: Congress Blamed For Imbalance of Powers**

*96SM0458A Buenos Aires LA NACION in Spanish 22 Jul 96*

[Editorial: "Congress Is Not Acting as a Check and Balance" — received via Internet]

[FBIS Translated Text] The recent emergency decrees, the questionable legality of which has been analyzed in this column, once again show that Congress does not always act in accordance with the needs of public affairs. Consequently, it brings about situations that are disruptive to society and the state and even creates institutional vacuums, as in the case of the aforementioned decrees and in connection with other issues that under the constitution are supposed to be regulated by laws within deadlines that have already passed.

The most salient example is the Council of the Magistrature. In spite of its paramount importance it is still not in place almost two years after it was created, amid a tough political battle for control of the Judiciary. No less important, however, is the Standing Bicameral Committee, which Article 99, Paragraph 3 charged with ruling on the validity of the emergency decrees that both houses must eventually approve or reject.

Although the constitutionality of these decrees is highly debatable, it was decided as part of the reform to create this congressional body, whose oversight authority also extends to the legislative powers delegated by Congress and to the decrees on the partial promulgation of laws.

Owing to their pseudolegislative nature, the decrees in question, of which the current administration has already issued more than 300, offend the principle of the republican separation of powers. As a result, many members of Congress have rightly made public their

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protests whenever the executive branch has tried to circumvent them.

It is noteworthy, however, that although there is a constitutional mechanism for overseeing such decisions, Congress has not established it (a ruling-party bill passed by the Senate has been stalled in the Chamber of Deputies since December). As a result, the recent decrees on family allowances and food coupons have gotten the same permissive treatment from the two houses as previous decrees.

The vacuum created by the legislative branch's failure to act is all the more serious because the ruling-party majority concluded on previous occasions that Congress' silence implied approval of these decrees. This is a warped, opportunistic, and politically motivated interpretation, inasmuch as emergency decrees are rare, not commonplace. The basic principle, as deduced from the text of the amended constitution itself, is that emergency decrees take full effect only after they have been ratified by Congress. The obligatory step involving the nonexistent bicameral committee clearly indicates that a pronouncement by the legislature is unavoidable.

It has become very obvious that if the executive branch at times oversteps its constitutional authority, it is largely because Congress tolerates this or shirks its duty to serve as a check and balance, and the ruling-party majority is primarily to blame here.

Paradoxically, the constitutional reform by which the legislative action of the executive branch has been accepted has also made clear the wide latitude that the ruling party accords its administration. Whereas it used to be able to explain this away by citing the absence of an institutional system of oversight, now, when such a system exists and needs only to be implemented, it chooses to let the executive branch's discretionary acts stand.

**Argentina: Tensions Within Administration Discussed**

*96SM0467A Buenos Aires LA NACION in Spanish 21 Jul 96*

[Commentary by Joaquin Morales Sola: "Betrayals and Threats Near Menem" — received via Internet]

[FBIS Translated Text] By his side they agree that the current political situation is the worst that the president has experienced since the economy stabilized. Forced to sack two ministers in seven days, he also had to endorse some desperate, unpopular decisions by his economy minister and to control the first tangible rift between the administration and his party.

Moreover, the squabbling and feuding around him is mounting. Cavallo and the cabinet chief, Jorge Rodriguez, were involved in the harshest confrontation since the latter succeeded Bauza. And Camilion is not just fighting to avoid the possibility of being arrested; he would also like to leave government with Foreign Minister Di Tella's head under his arm.

Rodriguez was on the verge of submitting his resignation this past weekend, and one of his main staffers, Abad, wrote up the actual letter, which he later withdrew. Cavallo's latest measures had taken them both by surprise with no prior "anesthetic."

Last Thursday, Rodriguez boasted to several people that he had been relatively successful in setting up the Labor Council, a whim of Menem's in which he never believed, with union and business leaders. On Friday, the economy minister disclosed his measures (which only the labor minister knew about in advance), and the labor leaders' first decision was to withdraw from the council.

Abad, a senior official in the Cabinet Chief's Office who seconds Rodriguez on the council, thereupon handed in his resignation to him, arguing that he found it impossible to work alongside Cavallo. If you go, I have to go too, and I would go willingly were it not for the president, Rodriguez replied, angered by the snub.

Rodriguez' first meeting with Cavallo after the row was marked by reproaches worthy of a romance novel. You betrayed me; I was your ally; there's no mafia behind me, and you know it; from now on I won't be the same, Rodriguez shouted at Cavallo. He then turned around and lashed out at Caro Figueroa, who had also kept the latest moves from him: You're no minister; you're just a clerk for the economy minister; what you've done is worse than what Cavallo did, he chided him.

Rodriguez then did something that only a Cavallo who realizes his mistake could have let pass. He drew up a list of the economists whom Cavallo hates (including Humberto Petrei, the man who is destined to relieve the minister, according to some Menem backers) and called them up to discuss the new economic measures. Rodriguez told some of them, Roberto Alemann for example, frankly about how angry he was with Cavallo. Menem knew of these consultations from the outset.

Times have changed. If Bauza had done this a year ago, Cavallo would have kicked up a political fuss of tidal-wave proportions. But the economy minister is weaker now and has little latitude for a fight with Rodriguez, an official who understands his positions and sides with him in many battles. An ongoing clash with him would

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send a very bad message to the decisive sectors of the economy about his intractable character.

Cavallo weathered the set-to with Rodriguez by appealing desperately to business leaders who are confidants of his to calm Rodriguez down and turn him against any possibility of resigning. It was a serious mistake, one major businessman told him. The measures have to be worked on very carefully because there could be a lot of messing around with them, Cavallo replied. But he's the cabinet chief! the businessman informed him.

A month ago Rodriguez and Cavallo had another fleeting crisis. Bauza's successor suggested that the Economy Ministry be split in two, with the guarantee that his friend Ricardo Gutierrez would be named finance minister. Get away from the numbers and devote yourself to defending this model, Rodriguez advised him. Cavallo threatened to slam the door harder than he ever had if thir were to happen.

Even his friends were reluctant. Businessmen and bankers reasoned that continuing the Cavallo program was worth another effort at getting it accepted, but in private they are tired, they say, of the minister's demands and his political mistakes. The power coalition seemed to splinter more than once in just a few days.

This coalition includes Peronism. Duhalde and Bauza needed four hours to extract half-hearted, strings-attached support for the measures from the ruling party's national leadership. But both feel that if they leave Menem by himself now, they could be planting the seeds of an electoral defeat next year. The coalition reunited, more out of fear than conviction.

If things turn out poorly for him now, Cavallo will not be able to complain about the lack of political support. Never before has a president, defeated in recent elections and smarting from very low popularity ratings, given this kind of backing to a minister who ordered such notorious measures without consulting anyone.

Against this backdrop of disorder and setbacks Menem will have to decide, probably today, whether he will let only Camilion go or whether he should trim his cabinet further. Camilion wants to take the foreign minister down with him. The latter also signed the arms sale decree and was the one who sent the courts the report from the military attach in Ecuador about the charges by the Ecuadoran smugglers; this was the report that revived the weapons-trafficking case in the justice system.

Another candidate for the guillotine is the minister of social action, Mazza, who is already strolling around the administration like a tourist; he attends almost no meetings and looks on with curiosity as the people with power make decisions.

The Camilion affair illustrates better than anything else the end that is in store for those who do not or cannot resign in time. During Camilion's last lengthy meetings with top administration officials the only document that they anxiously asked the secretaries for was the Penal Code, which has become an expert remover of officials.

Two conclusions arose after his resignation, and they can be summarized thus:

1) Only the involvement of someone very close to the hub of power in the weapons smuggling to Ecuador can explain both how delicately Camilion was treated and his own attitude, because from the outset he announced that he was not going to go quietly. So he remained silent in exchange for a year and a half in the post and with the guarantee, now, that he will not be arrested (if they change the front page of the case), though he may be prosecuted.

2) Camilion's arrival in the cabinet was a strange move for him and for the administration. He is not and has not been a Menem man, and the school of thought in which he was trained prevents him from endorsing the Cavallo model as well. What is more, he surrounded himself with old friends, not with officials with the skill and experience to manage the affairs of State. He sowed the seeds of his current end from the beginning.

Menem has thought over more decisions than we know in a bid to end this run of bad luck. He even considered a partial return of Bauza to the administration, as secretary general of the presidency, replacing Alberto Kohan. Rodriguez, Bauza, and Corach (the only one who has reconciled with Cavallo lately) took up the issue over a recent dinner. The president asked Bauza himself pointblank, but his answer was that he would not be in any sort of physical condition to rejoin the administration until December. December is a long way off, Menem replied with little humor.

Time is what he most lacks.

## Bolivia

### Bolivia: Talks With Peru on Sea Outlet Inconclusive

*PY3007012296 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 29 Jul 96*

[FBIS Translated Text] Bolivia's initiative to negotiate together with Peru the recovery of the maritime coast seized by Chile have failed.

President Gonzalo Sanchez de Lozada made this proposal to his Peruvian counterpart, Alberto Fujimori. However, Bolivia is not in Peru's plans.

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The idea was to find an ally to start negotiations with the Chilean government that offers concessions but not to return the territory usurped more than one century ago.

At noon today Sanchez de Lozada returned from Lima where he was unable to convince Fujimori about this initiative.

[Begin Sanchez recording] Traditionally Peru has maintained the stance of seeking an agreement with Chile and of only giving its approval to negotiate if the territory involved originally belongs to Peru. I, personally, discussed this issue with Fujimori and we exchanged viewpoints but Peru wasn't even thinking of this possibility when I was there. [end recording]

The president explained that this proposal was personal and that it does not fall within the framework of an official initiative or one that is already being implemented by the three countries involved in the Pacific War.

Peru and Chile agree to keep Bolivia out of its negotiations. For the time being, at least, they focus their political negotiations on the bilateral agreement signed in 1929 where Bolivia is only mentioned by chance.

**Bolivia: Presidency Minister Evaluates Programs**

*PY3007004596 La Paz PRESENCIA in Spanish 21 Jul 96 p 9*

[Article by Jorge Lazzo Valera]

[FBIS Translated Text] Minister of the Presidency Jose Guillermo Justiniano said yesterday that the offer to create 500,000 jobs was perhaps one of the mistakes we made when drafting the Plan for All, because it is very difficult to make quantitative commitments in the economy. The minister recognized that this was a political imposition that has hurt the administration.

Justiniano said that the MNR [Nationalist Revolutionary Movement] will continue being the main political force in 1997 and that the party will have an important chance to continue ruling the country because there is no chance that the opposition will reject or revert the immensely important measures and changes currently underway.

Justiniano made an evaluation of nearly three years of the MNR administration. The minister said that the administration was unable to fulfill its 1993 promise to create jobs because reforms were delayed by approximately one year. Justiniano said the creation of jobs is not a mystery because jobs are created when resources, from the private or public sector, are assigned for investments. The creation of jobs is not a matter of political will. We need a plan of gradual investments. We will have these investments with the implementation of proposals contained in the Plan for All," Justiniano said.

**Structural Reforms**

Justiniano said the Plan for All proposed structural reforms in different areas, the capitalization of public companies, the consolidation of the country's market system, and the country's insertion into the world's currents of commerce and investments.

**Public Investments**

Justiniano justified the administration's economic policies mentioning the level of public investments, which have stayed within the average traditional level of $500 million to $550 million per year, adding that government revenues through the Treasury have not changed substantially either.

**Sustained Growth**

Justiniano ruled out the possibility of social instabilities in the country, adding that after the very hard period that affected the financial system "during the first half of 1996 we are growing at a rate of 4 percent, a little more that last year. Our accrued inflation rate for the past six months was 4.84 percent and our reserves at the end of May 1996 stood at $823 million. Today our reserves are at the unprecedented level of $850 million," Justiniano said.

**Significant Progress**

Speaking about the capitalization of public companies Justiniano said that the issue was "extremely complex." The minister stressed the approval of the Hydrocarbons Law, adding that "now we must capitalize YPFB [Bolivian Government Oil Deposits], the Vinto Iron and Steel company, and we must privatize some public companies, because most of them have already been transferred."

Justiniano said that the government was able to fulfill all goals proposed by the education reform program, adding that the law has been approved, and the education reform program is underway. The minister also mentioned that the administration was able to implement a mechanism for people's participation through the Popular Participation Law, which generated a qualitative change in the country's basic structures because it has returned to the people the capacity to make decisions affecting their lives.

**Decentralization**

Justiniano admitted that the issue of decentralization was not explicit in the Plan for All, adding that the

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administration was able to get Congress to approve a bill along these lines when realizing the great importance of articulating the Popular Participation Law with the Decentralization Program.

"In such a radical decentralization process, such as the one we have adopted, it is impossible to expect everything to work smoothly before two or three years after the program has become fully operational," Justiniano said.

**Judicial Reforms**

With respect to judicial reforms, Justiniano said that the program is behind schedule, but insisted that all judicial reform laws will be approved because the issues are essentially technical and partisan, or political attitudes do not have a role in them.

There has been important progress in the area of justice. We must still implement the Constitutional Tribunal, the Judicial Council, the Public Defender, besides other measures that are in the final process of analysis, the minister concluded.

**Bolivia: Minister Views Cocaine Shipment to Russia**

*PY2907130796 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 29 Jul 96*

[FBIS Translated Text] Cocaine produced in Chapare reaches the Republic of Russia, via other European countries. This is the reason for establishing solid bilateral ties for the exchange of intelligence information.

These remarks were made by Minister of Government Carlos Sanchez Berzain. He added that this is the main goal of the first antinarcotics cooperation agreement signed on 26 July in Moscow between government officials from the two countries.

**Bolivia: News Summary for 25 Jul**

*96CA0263C (Internet) Bolivian Social Communications Ministry WWW in Spanish 25 Jul 96 Morning Edition*

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

**Front Page News Briefs**

**Redistribution of Deputies' Seats**

Potosi will have to give up four seats, Pando two, and Chuquisaca two seats, while La Paz will gain three and Santa Cruz five seats. Yesterday approval of these changes was postponed, pending the proposal of new options. But the leaders of MNR [Nationalist Revolutionary Movement], ADN [Nationalist Democratic Action], UCS [Solidarity Civic Union], Condepa [Conscience of the Fatherland], and MIR [Movement of the Revolutionary Left] have decided to press for compliance with this arrangement, understanding that this is the fairest settlement and the one that is best for the nation. [passage omitted]

**Political News [passage omitted]**

**Destabilization from Article 60 Disputes?**

The president of the Chamber of Deputies, Guillermo Bedregal Gutierrez, has described the deputies from Potosi, Pando, and Chuquisaca who are challenging the political accord reached on Article 60 as "out of control, lazy saboteurs."

He also indicated that this sort of dispute could unleash destabilizing processes, recalling that early in this century similar problems led to a civil war in Bolivia.

**Third Extraordinary Congress May Be Convened Next Week**

A third Extraordinary Congress might be convened if the treatment of Article 60 and the electoral reforms have been completed, reported the president of the Senate, Juan Carlos Duran.

Although the agenda for this session has not been officially confirmed, during this third Extraordinary Congress issues like the bill on the Institute for Agrarian Reform, international agreements, some oversight acts, and approval for President Gonzalo Sanchez de Lozada's trip to Ecuador might be considered. [passage omitted]

**General Information**

**Eid Expected To Be Sentenced**

Antinarcotics prosecutor Leopoldo Ramos has reported that he expects Oscar Eid and all the other persons indicted in the "narcoconnections" case to be sentenced because of their involvement in drug trafficking, and not because these are individuals who belong to a particular political party.

According to the prosecutor who is attached to the FELCN [Special Antinarcotics Force], there is no evidence in favor of exonerating the leader Oscar Eid; on the contrary, there is a good deal of evidence incriminating him. Therefore, based on all the work that has been done during this investigation, it was decided to seek a sentence of 16 years in prison for this politician.

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## Brazil

### Brazil: Cardoso: 'Tranquillity' Over Cavallo's Resignation

*PY2607230496 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 26 Jul 96*

[FBIS Translated Text] In Sao Paulo today, President Fernando Henrique Cardoso told journalists that he calmly learned about the resignation of Argentine Economy Minister Domingo Cavallo.

Cavallo's resignation will have no effect whatsoever on the Brazilian economy. This statement was made by Cardoso early this evening before entering his apartment on Maranhao Street, in downtown Sao Paulo.

He said he learned about Minister Cavallo's resignation with tranquillity, and added that this will not jeopardize the economic structure of Mercosur [Common Market of the South] countries.

[Begin Cardoso recording] He is a skilled economist and he was a great minister. Yet the important thing is to show that with the institutional progress and tranquillity prevailing in Argentina and in the other Mercosur countries, the replacement of a minister will affect neither our relations, nor Argentine life. [end recording]

### Brazil: Mercosur Members Submit Agenda to Commerce Group

*PY2607150396 Buenos Aires GAZETA MERCANTIL LATINOAMERICANA in Spanish 21-27 Jul 96 p 16*

[Article by Nora Gonzalez]

[FBIS Translated Text] The members of the Mercosur [Common Market of the South] Commerce Commission, CCM, will meet in Brasilia on 28, 29, and 30 August. It agenda will include new complaints presented at the CCM meeting held in Brazil last week. In all, Brazil presented four complaints to Argentina, one to Paraguay, and one to Uruguay. Argentina presented five complaints to Brazil and one to Paraguay. Uruguay and Paraguay did not present new complaints.

The main point that will be analyzed will be the potato issue. Forbidden to export potatoes to Brazil, Argentine potato producers protested and the commission presented a formal complaint within the Mercosur. Brazil had forbid the entrance of Argentine potatoes alleging that they be used as seed potatoes saying that the use of a new anti-sprouting compound (isopropyl carbonate IPC) is carcinogenic. The Argentines protested, because Brazil had previously authorized the entry of potatoes fit for consumption.

Brazil must still have this chemical compound accepted by the Health Ministry and the Environment authorities. "To tell the truth, Brazil did not do its homework," admitted Carlos Alberto Simas Magalhaes, chief of the Itamaraty Common Market of the Southern Cone Division. Simas is presiding over the CCM meetings in Brazil.

According to him, the Brazilian authorities are still holding internal complaints and a solution to the trade issue must be found by the end of the month.

By restricting the entrance of Argentine potatoes for planting in Brazil, the Brazilian government argues that it is impossible to control what potatoes enter the country for consumption and what come as seeds — but so far there is no control. It must be added that the anti-sprouting component was used specifically to prevent the use of potatoes meant for consumption as seeds, thereby diverting them for other uses. The Argentines also claim that the use of the IPC is not prohibited or listed among the anti-sprouting components, and that the potatoes are already harvested. The last meeting of the Mercosur Vegetable Quarantine Group agreed that the problem of diverted uses of products affects the country that is buying them rather than the country that is selling them, thus indirectly approving the exportation of potatoes meant for consumption without anti-sprouting compounds, according to the Argentines.

Another item that promises to be controversial is the exportation of milk caramel [dulce de leche]. Argentina uses potassium sorbate as a preservative, an additive allowed by Mercosur standards, but last 15 July the Rio Grande do Sul Agriculture Secretariat withdrew 27,096 kg of Argentine milk caramel from a supermarket alleging that it contained the preservative. "I think Argentina is right, because the preservative was already accepted," Simas said. Brazil must present an answer to this claim by the end of August.

Beside these two complaints, Argentina presented another complaint over additional freight costs charged by Brazil for the renewal of the Merchant Marine. Argentina alleged tax discrimination regarding the ICMS [Goods and Services Movement Tax] in the international bid for the supply of brake shoes and it presented a complaint on the sanitary control of several products in the Port of Santos, something that ended by delaying the liberation of perishable cargoes.

Brazil presented four complaints to the Argentine government. The principal one regards the circulation of "re-assembled" cars. The claim was presented by Mercedes-Benz of Brasil which sends bus and truck chassis, one on top of the other, to Chile, to be assembled there. According to Argentine Chaco Province

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highway authorities, wherever the buses and trucks go, lanterns, headlights, bumpers, etc. should also be supplied — including those sent for assembly, which is an obvious contradiction.

Beside this, Brazil asked for an inter-zone anti-dumping investigation and the harmonization of import tariffs for laminated cold rolled steel, which is improperly being charged a non-Mercosur trade tariff.

"There was a problem of the adoption of the Common External Tariff [CET] to a coordinated system," Simas said. "Argentina is improperly being charged a tariff, but we are asking for a rectification," he acknowledged. Simas also considered the fourth complaint on the duty-reduction timetable a technical mistake because it should have been automatically applied, which is something that is not happening.

Brazil presented a formal complaint to Uruguay, for prohibiting the importation of Brazilian seafood alleging that there were cholera cases in Brazil. "That is no longer true," Simas said.

Argentina presented a complaint to Paraguay over live cattle for consumption, because it is finding difficulties in obtaining import permits. Brazil asked Paraguay for clarifications over the duty reduction timetable and the products this involves.

**Brazil: Editorial Views World Bank's 'Brazil Cost'**

*PY2607185296 Sao Paulo GAZETA MERCANTIL in Portuguese 24 Jul 96 p A2*

[Editorial: "Quantifying the Brazil Cost"]

[FBIS Translated Text] Studies conducted by international institutions on the Brazilian economy — such as the recent report released by the World Bank, which this newspaper published in its 23 July issue — seem very useful to us because they supply new points of view that we often overlook as a result of being too focused on current issues. Referring to the so-called Brazil Cost, we think it is more important to make a more careful analysis of what World Bank experts say — about the tax burden that makes the cost of business so high, the distortions of the means of transportation, and the absurdly high costs of Brazilian ports for exporters — than what they say about other issues on which entrepreneurs already have a firm opinion.

Monetary authorities may deny it, but no businessman doubts that, after the implementation of the Real Plan, Brazil has been experiencing an exchange imbalance; although it would be hard to determine the exact amount of this imbalance. All Brazilian entrepreneurs are perfectly aware that, as the World Bank reported, another great influence on the Brazil Cost is the high level of domestic interest which, despite the relative stability of the currency, is still quite different from that charged in developed countries.

Considering, however, that the federal administration's economic team does not feel sufficiently secure to adopt more positive measures regarding these two issues — which depend on a more encompassing fiscal adjustment that is always postponed for political reasons — Brazilian officials should pay more attention to some comments about the Brazil Cost contained in the World Bank report. The irrational Brazilian tax system that allows distortions such as exporting of taxes is well known. The World Bank poses questions, however, on how to implement the required changes while making taxes fairer for taxpayers and without reducing tax revenue. The only answer seems to be to increase the number of taxpayers and the effectiveness of the tax collection machinery, which would be favored by canceling various types of tax exemption. If this were done, as the federal administration is trying to do now despite the well known difficulties, the enterprises' tax burden could be reduced to as little as 6 percent.

The study does not give details of the methodology the World Bank experts used to reach these figures, but the point is clear. Instead of seeking to reduce the cost of workers' benefits, which would have an insignificant impact for the enterprises and affect the revenue, it would be more productive to make the tax system more rational in order to reduce pressure on enterprises in general, without harming the tax revenue. All this seems very simple and several countries have achieved this goal, but it still seems a remote objective for Brazil although, as the World Bank admits, some progress has already been achieved in this area.

Another aspect of the Brazil Cost that is quite relevant and has sometimes been taken into consideration, although never quantified, is the burden the inadequacy, coupled with bad corporate practices, that Brazilian port terminals represent for the country's international competitiveness. Any possible exchange imbalance could be sensibly reduced if the cost of port services in Brazil were compatible with international standards. The World Bank estimates that this handicap represents 6 percent of the 19.7- percent exchange loss exporters have had since 1992.

In addition to quantifying aspects that are rarely measured in Brazil, the World Bank study presents some interesting insights [preceding word in English]. Contrary to what one imagines, the cost of highway cargo transportation in Brazil is relatively low, and this is attributed to the large number of trucks traveling along the national highways. This is, however, a temporary

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phenomenon, particularly because several trucks traveling in Brazil have already exceeded their useful years. It is expected that, as a result of modernization and of a more severe control on the use of cargo vehicles, this excessive number will disappear. The cost of cargo transportation tends, therefore, to depend on how intensively other alternatives, such as railway transportation, will be used.

In summary, the World Bank report gives us an idea of how the Brazil Cost can be drastically reduced if the country is able to implement a tax reform simultaneous with the privatization of its infrastructure.

**Brazil: Commentator Disputes Economic 'Good News'**

*PY2607164896 Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Jul 96 Section 1 p 2*

[Commentary by Andre Lara Resende: "Things Are Not The Desirable Ones, But If One Wants To Make Believe They Are..."]

[FBIS Translated Text] The Central Bank has just released data on the behavior of the economy from January to June. The data were reported as positive indexes. O GLOBO, for example, published in its economic section the following headline: "A Good News Crop."

Direct foreign investment reached historic record levels: Enterprises have attracted more than four times the usual amount of foreign credit and with longer payment terms; the Treasury's monthly disbursements to pay for interests have dropped; compared to April, the public area's nominal deficit dropped in May; and the monetary base decreased a little in June.

There has been but a moderate increase in international reserves and this is good, the Central Bank explained, because it means that it will be necessary to issue less certificates in order to sterilize the reals issued for the purchase of foreign currency. In other words, everything is getting along marvelously well. At least, this is what the reporters understood.

I doubt, however, whether the data justified any sort of optimism. Let us analyze the situation. The fact that the monetary base had a small drop in the month means absolutely nothing. Monthly monetary bases are irrelevant concepts. Only the force of habit and lack of information about the monetary theory explains the importance that is still attributed to disseminating this type of news.

The fact that foreign credit has increased four times still reflects the huge difference between the level of domestic interest and of that charged abroad. This is why people who have access to foreign markets use this sort of credit as much as possible. Payment terms have not become longer spontaneously; they have been imperatively extended by the Central Bank.

Increase in direct investment is indeed good news. Nevertheless, it must be looked at from a certain perspective. Direct investment had practically disappeared in the last few years. Its reappearance confirms that, once inflation gets under control, the extraordinary potential of the Brazilian market does not go unnoticed.

I must say that, frankly, the drop in the May nominal deficit does not mean much either. Monthly drops do not necessarily express a trend.

Yet some people — annoyed at what they might consider ill will on our side — will claim that payments on interest, which was the main reason for the growth in the deficit last year, have actually decreased. It is true that there has been a significant reduction in the amount of interest paid. Rates lower than the extraordinarily high ones paid last year represent a smaller amount to be paid, although they are charged on a much larger debt.

Here is the most important and worrisome data among those reported last week: The federal debt in certificates, without considering the certificates issued to replace the state administrations' debts, increased from 48 billion reals [R] to R125 billion.

This represents a R77 billion increase and surpasses 10 percent of the GDP in one year! The Program to Encourage the Reorganization and Strengthening of the National Financial System [Proer], rediscount granted to banks facing difficulties, and resources disbursed to increase the Bank of Brazil's capital have been responsible for almost R20 billion of this increase; payment of interest on the debt was responsible for R23 billion of the overall amount; and sterilization of the increase in foreign reserves, for R26 billion. May the O GLOBO reporters forgive me. In my opinion, these economic statistics are far from being the desirable ones but, if one wants to make believe they are... Nevertheless, I think they have been taken in.

**Brazil: Disadvantages of Economic Opening Viewed**

*PY2607152796 Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Jul 96 Section 2 p 3*

[Commentary by Luis Nassif: "Profits and Losses of Economic Opening"]

[FBIS Translated Text] Who wins and who loses with the globalization of the Brazilian economy? Recently, an important manufacturer of chemical products gathered for a luncheon the presidents of large industrial

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companies to evaluate, frankly and informally, the current economic situation.

Changes occurring in the country are so extraordinary that some unwary people might think that the conversation was entirely unintelligible and absurd. Some industries sounded extremely satisfied and others complained that they are being heavily punished.

(As the conversation was held among presidents of large companies, small and medium entrepreneurs — who are almost all suffering as a result of the current economic situation — could not take part.)

The meeting made possible a series of interesting observations about the current economic situation.

1. The areas most affected by the crisis are the textile, spare parts, and agricultural ones. Entrepreneurs of the textile sector assert that the overall cost of manpower in Brazil (including social and labor contributions) is similar to Europe. The only enterprises enjoying certain competitive advantages are those that decided to run the risk and installed their plants in areas with fiscal incentives. One of the entrepreneurs showed the group well-made trousers that had been purchased in Taiwan for $4 each.

2. In the textile sector, the average interval between purchasing the raw material and selling the finished product totals almost one year. The large textile manufacturers are entitled to low-cost financing. At the other end of the chain, however, retail sellers can only obtain loans at extremely high costs. The average financial cost of the entire chain surpasses 20 percent per year — instead of the 6 percent paid by their competitors in countries with stable economies.

3. The cost of using Brazilian ports is extremely high. The cost of importing chemical substances through the port of Santos (maritime freight excluded) represents almost 10 percent of the final cost of the merchandise. After being privatized, the port of Buenos Aires cost stands at 1 percent of the cost of the final merchandise.

4. The spare parts sector has experienced the following dilemma: The car-assembling company selects enterprises and decides to purchase their entire production from them for long periods of time. The basic condition is that the price of the product must be equal to that of the international suppliers, not including freight costs in the import prices. As a result of the so-called "Brazil Cost," those who manage to fit into this scheme end up having very reduced profit margins.

5. The packaging sector is extremely content. Presidents of packaging enterprises who attended the meeting assert that they have international prices and quality. Since the opening of the economy, the packaging sector had to invest in equipment and quality programs. Now they have competitive prices and, after the implementation of the Real Plan, they have increased their production as much as five-fold.

Similar to what happens to the spare parts sector, clients demand international prices. In this sector, however, the enterprises are in a position to meet the demand. The paper and cellulose manufacturing sector is in a similarly favorable situation.

6. Another area that has been improving and profiting very much is that of dairy products. Sales have increased greatly since the implementation of the Real Plan and they have gained clients who had never gotten close to this sort of product before.

**Brazil: FHC Seeks To Exempt Exports From ICMS in 1997**

*96SM0461A Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Jul 96*

[Article by Sonia Mossri: "Tax Reform: FHC Seeks To Exempt Exports as Early as 1997" — received via Internet]

[FBIS Translated Text] **Kandir and Dornelles are negotiating the measure with governors.**

Brasilia—President Fernando Henrique Cardoso is seeking to exempt exports from the ICMS (goods and services movement tax) starting next year. Planalto Palace wants to include that decision in the tax reform bill now working its way through the National Congress. Ministers Antonio Kandir (Planning) and Francisco Dornelles (Industry and Commerce) are negotiating with governors regarding payment in government securities to compensate for the 2.5 billion reals the states would lose by not collecting the tax.

To make the idea more attractive, the state governments would be able to use the federal securities to pay off their debts to the Union.

That was the solution settled on for overcoming resistance by the governors the idea of receiving securities instead of money—there are no available funds in the Treasury this year.

The tax exemption for exports requires the approval of Congress. The administration originally intended to postpone the exemption until 1998.

The decision to move the measure up is a way of compensating exporters for the real's lag in relation to the dollar.

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Deputy Mussa Demes (PFL [Liberal Front Party], Piaui), rapporteur for the tax reform bill, had postponed the exemption of exports until 1998 at the request of former Minister Jose Serra (Planning), who is now running for mayor of Sao Paulo. The decision to move the measure up to 1997 was coordinated by Dornelles and Kandir. That move would eliminate the deficit in the trade balance.

The Ministry of Industry, Commerce, and Tourism predicts that there will be a trade balance deficit (that is, more imports than exports) of 3 billion reals in 1997.

So far the chief opponent of the idea has been Parana Governor Jaime Lerner (PDT [Democratic Labor Party]). Speaking through his press office, Lerner has said that Parana would lose 544 million reals in tax revenues annually. According to him, the state would be harmed because it has no debts to the Union to pay off. Lerner says the exemption should apply only to semimanufactures. He feels that exempting all products would benefit the most industrialized states to the detriment of those dependent upon agriculture and stockraising.

**Brazil: Government's Export Exemption Discussed**

*96SM0461B Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Jul 96*

[Editorial: "Exports and Patches" — received via Internet]

[FBIS Translated Text] The tax exemption for exports, which the administration is now announcing for 1997, attacks something that is perhaps the chief obstacle to a resumption of growth in the medium term. This is not a matter simply of promoting an important productive sector. With higher foreign exchange earnings, the country will be in a better position to confront the increase in imports that usually accompanies economic growth.

Considering the serious budget deficit, however, what the tax policy needs is consistency. No matter how great their specific merits, piling up separate measures continues and even worsens the disorder in the field of taxes that everyone complains of.

Tax reform was cited as a top priority by candidate Fernando Henrique Cardoso. But once he was elected, that was not what we saw.

In that area, what the administration has been implementing or proposing is one patch after another. If there are problems in the health area, it comes up with a new tax (the temporary tax on financial movement [CPMF]) for the alleged purpose of meeting an emergency situation.

If economic difficulties place a heavier burden on minifirms and small businesses, tax exemptions are granted which, according to Sebrae [State Service for Support to Small and Micro Firms], will result in a drop of 1.5 billion reals in annual tax collections. According to the Federal Revenue Secretariat, the loss will be on the order of 4 billion reals—more or less the amount that the CPMF is expected to bring in.

In that context, the exemption of exports is turning up as the latest patch on taxes. FOLHA DE SAO PAULO has already commented on the specific features of both the CPMF and the exemptions for small and medium-size firms. So there is no need here to go back over the separate defects and merits of each of those measures.

But there is a need to draw attention to the urgent necessity of restoring to the tax reform its comprehensive and priority nature. Especially in view of the fact that if there is reasonable consensus on any subject in this country, that subject is precisely the need to create a more efficient and simpler tax system.

**Brazil: Kandir Rebuts Charges of Favoring PSDB Allies**

*96SM0461C Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Jul 96*

[Article by Sonia Mossri and Lucio Vaz: "Kandir Explains Release of Funds" — received via Internet]

[FBIS Translated Text] **The statement has been moved up to try to quiet criticism of the use of government machinery by government allies.**

Brasilia—Minister of Planning Antonio Kandir has moved up to today his statement before the Joint Budget Committee regarding the release of funds. The objective is to try to deflate complaints of favoritism toward allies. Kandir was responsible for the release of most of the funds. A survey conducted in 10 states by the leaders of the PT [Workers Party] in the Chamber of Deputies shows that the PSDB [Brazilian Social Democracy Party] was the party benefiting most from releases of budget funds as published in the DIARIO OFICIAL DA UNIAO on 29 June.

President Fernando Henrique Cardoso's [FHC's] party received 29.6 million reals of the 99 million reals released, according to that survey. The funds released are intended for public works in housing, sanitation, infrastructure, health, rural electrification, and environment.

Fernando Henrique and the PSDB's top leadership felt that accusations by congressmen regarding the political use of funds and the danger that a CPI [congressional investigating committee] would be appointed required an

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immediate response by Kandir. The minister's statement was scheduled for this coming 30 July. The decision to move it up was made yesterday following a conversation with FHC.

Kandir's presence will bring to the committee the government leader in Congress, Senator Jose Roberto Arruda (PSDB, Federal District); the PSDB leader in the Chamber of Deputies, Jose Anibal (PSDB, Sao Paulo); and the government leader in the Chamber of Deputies, Benito Gama (PFL [Liberal Front Party], Bahia).

**Strategy**

Sarney Filho (PFL, Maranhao), president of the Joint Budget Committee, said that Kandir had notified him of the decision to move up the statement with the explanation that he needed to respond quickly to complaints regarding the political use of funds. Over the past two days the minister has held several meetings with his advisers and with pro-government leaders in Congress to formulate a defense strategy before the committee.

FOLHA DE SAO PAULO has learned that he will not explain the signing of agreements and the release of funds by other ministries. He will restrict himself to reporting the criteria used by the Ministry of Planning in releasing funds.

He will say that the Ministry of Planning employed technical criteria announced in the DIARIO OFICIAL DA UNIAO.

So far, Kandir's explanations have not prevented a rebellion among PSDB members themselves. Senator Jefferson Peres (PSDB, Amazonas) was continuing to seek signatures in Congress for the formation of a CPI on the release of funds. He said that only four more signatures were needed.

The survey conducted by Senator Jose Eduardo Dutra (PT, Sergipe) and Deputy Sandra Starling (PT, Minas Gerais) reveals that favoritism was shown to parties allied with the administration.

With 21.8 percent of the congressmen from those 10 states (302), the opposition parties received 2.2 percent of the funds. The PSDB, with 17.8 percent of the congressmen, received 29.6 percent of the funds released. The PMDB [Brazilian Democratic Movement Party], with 19.5 percent of the congressmen, wound up with 28.8 percent of the funds. The PT, with 12.5 percent of the congressmen, wound up with 0.14 percent of the funds.

Those data agree with a survey that was conducted by FOLHA DE SAO PAULO and published on 2 July.

**Planalto Palace**

Sergio Amaral, spokesman for the Office of the Presidency, denied yesterday that any favoritism had been shown in the distribution of funds, but he said "it must be assumed that the priorities of the parties supporting the administration are more in line with the administration's priorities than are the priorities of the opposition parties." He said: "That is a natural thing." Concerning the list published by the PT yesterday, Amaral said that the question needs "more clarification." Amaral also said that if political criteria had been used, "it is very reasonable to assume that the PT would have received nothing." "But it did in fact receive funds."

## Brazil: Biggest Recipients of Government Funds Named

*96SM0461D Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Jul 96*

[Unattributed article: "Gama and Anibal Are Benefited" — received via Internet]

[FBIS Translated Text] Brasilia—Senator Jose Dutra (PT [Workers Party], Sergipe) yesterday released a list of congressmen who were champions in obtaining the release of funds from the budget. The top 10—all pro-government congressmen—include four congressmen in the PSDB [Brazilian Social Democracy Party] and three in the PFL [Liberal Front Party]. The champion at getting money is Deputy Wagner Salustiano (PPB [Brazilian People's Party], Sao Paulo) with 1.94 million reals for housing construction in Sao Paulo State. Deputy Maluly Neto (PFL, Sao Paulo) received 1.63 million reals for infrastructure, sanitation, and water supply.

**Leaders**

The champions at getting money include the government leader in the Chamber of Deputies, Benito Gama (PFL, Bahia), with 1.28 million reals for sanitation projects, and PSDB leader Jose Anibal (Sao Paulo) with 1.31 million reals.

In Ceara, which is ruled by Governor Tasso Jereissati of the PSDB, seven PSDB deputies are included among the eight congressmen most successful in getting funds released.

In Pernambuco, the home state of Vice President Marco Maciel (PFL), the five champions among the congressmen are PFL members. In Bahia, which is controlled by Senator Antonio Carlos Magalhaes (PFL), seven PFL members are among the 10 champions at getting money released.

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Senator Jose Dutra claims that his survey shows that "in every state, Fernando Henrique Cardoso's administration chose a favorite ally from among the pro-government parties."

**Brazil: Success of Special Congressional Session Noted**

*96SM0461E Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Jul 96*

[Article by Luiz Carlos Santos, special minister for the coordination of political affairs: "Active Congress" — received via Internet]

[FBIS Translated Text] Luiz Carlos Santos, 60, is special minister for the coordination of political affairs and a federal deputy (PMDB [Brazilian Democratic Movement Party], Sao Paulo) on leave. He has been government leader in the Chamber of Deputies (1994-1996), secretary of energy in Sao Paulo State (in the Fleury administration), and secretary of housing and urban development (in the Quercy administration).

*The legislative branch has made clear its ability to decide on matters important to the life of everyone.*

This weekend the National Congress will reach the end of one more special session, perhaps the most profitable in the entire history of the Brazilian Congress. The work done by the congressmen this July deserves special mention, chiefly because the press has shown some reluctance to acknowledge that success.

As on so many other occasions in Brazilian political history, the legislative branch has made clear once again its ability to make definite and responsible decisions regarding matters of the greatest importance to the life of all Brazilians.

The matters that were analyzed, debated, amended, and approved range from the establishment of a stricter code governing traffic violations to the opening up of the cellular telephone business to private investors. All the matters dealt with are directly linked to the daily life of the Brazilian citizen and are part of that list of matters which have long been in need of modern and effective legislation. The cellular telephone bill, passed during the special session and already signed by President Fernando Henrique Cardoso, will generate investments on the order of 7 billion reals by the end of 1997 and should make it possible during the same period for 7 million people to buy a cellular line. The new system, based on free competition among firms, will increase the number of lines available, generate employment, improve the quality of service, and reduce rates. The Federal Senate approved on first reading the National Traffic Code, which provides penalties of from two to five years in prison for those responsible for deaths in traffic accidents. That is the way to try to reverse traffic violence, which killed over 255,000 people last year according to data from the Ministry of Justice.

The Chamber of Deputies approved and sent to the president for signature a bill transferring to the ordinary courts jurisdiction over crimes committed by military police officers when fraud is involved. In another historic decision, it approved and sent to the Senate a bill eliminating the IPC (Social Security Institute for Congressmen) and establishing the Security Plan for Congressmen. The end of the IPC had come to be a daily demand on the part of the media.

July was also the month in which constitutional reforms gained momentum in their passage through Congress. Social security reform, a very controversial and complex issue, was approved on second reading in the Chamber of Deputies and sent to the Senate, where the senators will certainly abolish the privileges supported by the opposition parties. Expert reports on the administrative and tax reforms have now been read in the special committees, and they will surely be approved and then sent on to the full house.

In yesterday afternoon's session, the plenary session of the Chamber of Deputies gave approval on second reading to establishment of the CPMF [temporary tax on financial movement], which will ensure emergency funds for the public health sector, now in crisis, and may prevent the closing of several hospitals and charitable institutions. On that issue, only the PT (Workers Party) supported a reservation opposing it, despite protests from 22 congressmen in its federal bloc.

The Senate Committee on Constitution and Justice issued an opinion favoring the constitutional amendment establishing an investment fund to pay for basic education. That amendment will also ensure better pay for teachers. The matter is to be debated in plenary session soon, and that will permit its promulgation within a brief period of time, since it has already been examined by the Chamber of Deputies.

We could mention dozens of other bills that have been approved or at least have begun making faster progress during this traditional month for a recess. But there would not be enough space, and the reader's time is valuable. Despite that, we could not fail to draw attention to the importance of the activity by Senator Jose Sarney, president of the Senate, and Deputy Luis Eduardo Magalhaes, speaker of the Chamber of Deputies, in ensuring the success of this special session.

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It is a success which will strengthen the idea that the country's transformations by means of democracy—the only means capable of being effective and lasting—will occur only as the result of a free and active legislative branch. In modern societies there are two values that need to be preserved and praised: freedom of the press and the credibility of the National Congress. The two are intertwined and merge together, and each needs the other for its own strengthening. That is perhaps one of the greatest messages left by this special session.

**Brazil: Interest in Administrative Reform Reversed**

*96SM0461F Sao Paulo FOLHA DE SAO PAULO in Portuguese 25 Jul 96*

[Article by Silvana de Freitas: "Opposition Wants To Vote on Administrative Reform Now" — received via Internet]

[FBIS Translated Text] Brasilia—The nearness of the municipal elections has reversed political interest in administrative reform: the opposition is applying pressure for an immediate vote on the bill now in committee, while pro-government congressmen do not want a vote until after October.

Deputy Miro Teixeira, PDT [Democratic Labor Party] candidate for mayor of Rio de Janeiro, yesterday demanded that the administration commit itself to debate on the reform by the special committee.

"Yesterday (the day before yesterday) there was no meeting. Today (yesterday) it was over an hour late getting started. I think that the administration does not want a vote on the amendment before the elections. This whole thing is a farce."

The opposition does not support the break in stability, but it would like to have the reform voted on in the Chamber of Deputies before October so it can exploit the issue politically in the campaign. But the administration feels that pressure from the municipal election campaign makes it difficult to win approval of the reform. It also claims that obtaining a quorum in the plenary session is difficult.

## Chile

**Chile: Cuban FM Arrives, Criticizes Helms-Burton Law**

*PY2907124796 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 29 Jul 96*

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina began his 4-day visit to Chile by criticizing the Helms-Burton law.

The Cuban minister arrived at about 1800 [2200 GMT] on 28 July. He was welcomed by Chilean Foreign Minister Jose Miguel Insulza. In brief remarks to the press, he criticized the U.S. economic blockade through the Helms-Burton Law.

[Begin Robaina recording] There is a special point worth mentioning about this law: Laws in Cuba are written in Spanish, not in English. This law is special, in that it is not only against Cuba, it is against the world. The world increasingly demonstrates that it will no longer allow any country, regardless of how powerful it may be, to tell it what to do and what not to do. [end recording]

Today the Cuban foreign minister will participate in a meeting at the diplomatic school. At about 1750 he will be received at La Moneda Palace by President Eduardo Frei. He will also meet with outstanding Chilean political leaders, and on 1 September return to Cuba.

**Chile: Insulza Views Talks With Bolivia on Sea Access**

*PY2607195896 Santiago EL MERCURIO in Spanish 25 Jul 96 p C2*

[FBIS Translated Text] Valparaiso — Foreign Minister Jose Miguel Insulza yesterday explained that current Chilean-Bolivian ties seek to achieve agreements that will help Bolivia have economic and commercial access to the Pacific Ocean. Insulza said: "We are willing to seek agreements that will help Bolivia have economic and commercial access to the Pacific Ocean. We will continue upholding this policy. We have always been willing to negotiate with Bolivia over a number of issues. However, there are always controversies whenever someone says something. This leads to the upholding of rigid positions which do not contribute to good relations."

Insulza also denied reports from Bolivia stating that by expressing willingness to hold negotiations "Chileans are acknowledging the existence of pending problems. One is less willing to negotiate in these circumstances," he said.

Moreover, Insulza rejected the idea of granting Bolivia territorial sovereignty as some Bolivian authorities are claiming.

Insulza added that all this came about because of "well-intended and expressions of good will made by one [Party for Democracy, PPD] senator (Sergio Bitar). As a result of this, some suddenly adopted very rigid positions which did not help the course of the negotiations."

Senator Bitar had proposed granting Bolivia a sea outlet, but without sovereignty. Bolivian officials received

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this proposal with great caution. Commenting on this proposal, Insulza said that this proposal is not new because he had submitted it to the OAS. It consists in Chile granting Bolivia a strip of land on the Pacific. Chile would not lose sovereignty over this strip of land, which, according to Senator Bitar, could be 10 km wide.

**Chile: 'Comando Bautista B' Group Claims Bombing**

*PY2607203496 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 26 Jul 96*

[FBIS Translated Text] A previously unknown subversive group perpetrated an attack on Santiago a building at midnight last night. The explosion broke windows and furniture at the Sfera building, which houses the Isapre [Institute of Public Health and Preventive Medicine] in Providencia District.

[Begin unidentified reporter recording] The device was placed on the ground floor. The explosion broke virtually all the windows of the Sfera building at 103 Padre Mariano Street. The explosion also damaged windows, furniture and windows of some nearby buildings.

The group that claimed responsibility for this attack left pamphlets stating: No to private health care; Privilege of the few. Access of the people and workers to health care.

The Comando Bautista B group claimed responsibility for the attack. This is a new group. We have no idea if it is a political or a religious group. There is still no information about it.

The explosion caused some damage, a lot of noise, and alarm. [end recording]

**Chile: Mineworkers, Government Sign Agreement; Strike Ends**

*PY2707033296 Santiago Universidad Catolica Television Internacional in Spanish 0100 GMT 27 Jul 96*

[FBIS Translated Excerpt] The Lota conflict has ended. Following a 66-day strike, the mineworkers and the government signed an agreement this morning to put an end to the strike. The future of Enacar [National Coal Enterprise], however, now depends on Congress, because the millions of dollars of losses caused by the conflict has forced the enterprise to ask Congress for a new budget allocation.

Many embraces, much emotion, and much satisfaction marked the environment this morning at the mineworkers confederation, because the conflict that has been going on for 66 days have ended, thus preventing the closing of the enterprise, a decision already made last night by the government and that was to be announced after the cabinet meeting that was held at noon today. [passage omitted]

The agreement between mineworkers and the government was reached after a meeting that began at midnight and ended at 0900 in the morning. The agreement was signed by the union leaders and Sandoval [not further identified]. This agreement maintains the terms of the protocol reached on 1 July, that is, that the 97 workers dismissed in May are reinstated; the number of workers of the enterprise is reduced to 426; and different social security mechanisms are granted to those who leave Enacar as an anticipated retirement, retirement for disability, and special compensations. To this is added the fact that a large number of people who will now leave the enterprise will voluntarily request their retirement, and the social security mechanisms will be maintained for those dismissed in the future. [passage omitted]

**Chile: Frei Calls For Strengthening Development, Equity**

*PY2607223096 Santiago EL MERCURIO in Spanish 26 Jul 96 p C2*

[FBIS Translated Excerpt] President Eduardo Frei last night said that democracy in Chile and in Latin America will be stable only if conditions of development and equity are ensured in the long term, and if people are convinced of its value as a political system and as a way of living.

The Chilean president gave a lecture on "politics, society, and democracy," during a ceremony to mark the 65th anniversary of the afternoon newspaper LA SEGUNDA. [passage omitted]

The president outlined the cultural and political bases he considers essential for the construction of a consensus that will strengthen democratic governability of the Chilean society.

Discussing the issue of democratic governability, he said it establishes the necessary link between economic development and social equity, stressing the existence of democratic regimes has brought to Latin America respect for human rights and the people. [passage omitted]

**Chile: Banks Take Measures Against Money Laundering**

*PY2907122396 Santiago LA TERCERA DE LA HORA in Spanish 26 Jul 96 p 24*

[FBIS Translated Text] Latin American financial institutions are implementing measures to prevent money laundering from staining the prestige of the institutions.

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Chile, which is not detached from this, is a pioneer in the fight against this illegal activity.

Alejandro Alarcon, general manager of the Association of Banks and Financial Institutions, said yesterday: "Our financial system is taking measures to provide basic guarantees to prevent this problem." He said: "Banks are perfectly prepared, but I am not the only one to say if the regulations are sufficient."

Alarcon made this comment after closing the 12th Latin American Congress of Foreign Trade, which was attended by 400 executives of the region. The meeting that started on 23 July in Casa Piedra discussed economic integration, methods of international trade, and formulas to fight money laundering.

Alarcon admitted that the association has close contact with the Superintendency of Banks. He said it is necessary to establish ways to discover suspicious conduct but at the same time prevent excesses that could hinder the fluidity of the Chilean financial system.

Alarcon pointed out that the Chilean financial system has been aiming at this for a long time. The system implements strict measures, like real knowledge of their clients, the appointment of officials to verify quantities and movement of cash, and suspicious conduct of some individuals.

Alarcon explained that cases of drug trafficking or other type of money laundering linked to banks are still unknown in Chile and that this shows the effectiveness of the measures being implemented in the country.

**Chile: Public Servants Banned From Campaign Activities**

*PY2607193696 Santiago EL MERCURIO in Spanish 24 Jul 96 p C2*

[FBIS Translated Excerpt] Just over one month ago, Interior Minister Carlos Figueroa told all cabinet members, under secretaries, intendants, and governors that they are banned from participating in elections or political campaigns in view of their public servant status.

The interior minister issued a resolution containing these instructions on 19 June in keeping with orders imparted by President Eduardo Frei and in view of the upcoming 27 October municipal elections in which public servants may not take part.

In the resolution, Figueroa acknowledged that the essential rules of good conduct must be strictly upheld by those who hold public posts in order to ensure the openness of the election process.

The resolution, which has been sent to all cabinet members and regional authorities and is to be widely distributed in all public offices, establishes that those employed by the state and who are running for an elective post must resign or request leave of absence without pay. [passage omitted]

## Colombia

**Colombia: Communications Minister Turbay Resigns**

*PA2907225996 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 29 Jul 96*

[From the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Communications Minister Juan Manuel Turbay Marulanda resigned today, in what appears to be the continuation of the announced cabinet crisis. The name of Asomedios [National Media Association] President Saulo Arboleda is being mentioned as Turbay's replacement.

**Colombia: FM Says U.S. Visit 'Not a Failure'**

*PA2907162196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 29 Jul 96*

[From the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Caracas — Colombian Foreign Minister Maria Emma Mejia asserted that her recent visit to Washington was not a failure, because she was not pursuing any specific objective. Mejia said she only wanted to resume the political dialogue with the United States.

She made this statement to Caracol during her official visit to Venezuela, currently under way. Mejia noted that resuming the political dialogue with Washington was the objective of that trip, and that this was clearly conveyed by U.S. newspapers such as THE WASHINGTON POST, THE WASHINGTON TIMES, and THE MIAMI HERALD. She remarked that the Colombian Government is trying to restore the climate for dialogue with Washington so that Colombian-U.S. ties can transcend the issue of drug trafficking.

Mejia stressed that she was able to meet with most officials from the State Department, the White House, and business organizations, as well as representatives from the multilateral organizations. She added that these officials conveyed a positive view. She pointed out that she is not excessively optimistic that her sole visit will be enough to avert any trade or economic sanctions against Colombia. The minister said that if these sanctions are implemented, the Bank of the

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Republic and the Finance Ministry will be ready to adopt the necessary actions to face them.

**Colombia: Defense Minister Visits U.S. To Foster Ties**

*PA2907161596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 29 Jul 96*

[From the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Colombian Defense Minister Juan Carlos Esguerra Portocarrero will be the second government official to travel to the United States to hold talks with members of the Clinton administration in an attempt to normalize relations between the two nations.

Esguerra Portocarrero will go to Washington, where he will present a thorough assessment of the efforts being undertaken by the Colombian Government, along with the Armed Forces and the Police, in the fight against drug trafficking. The defense minister will meet with DEA Administrator Thomas Constantine and drug czar General Barry McCaffrey, among others.

**Colombia: Samper Interviewed on Economic Opening**

*PA2907200296 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 24 Jul 96*

[Telephone interview with President Ernesto Samper, place not given, by Juan Gossain, Pilar Castano, and an unidentified reporter in the station's studios in Santa Fe de Bogota; from the "RCN Radio Events" newscast — live]

[FBIS Translated Text] [Gossain] We called you because we want to talk to you about some of the concerns RCN and the country have about unemployment in Colombia. The latest, official figure released by DANE [National Administrative Department of Statistics] puts unemployment in the country at 11.7 percent. Among other things, you have said one of the factors contributing to unemployment is what you described as the hangover of the economic opening. What does that mean, and how has that influenced the growth of unemployment?

[Samper] All the economies that have undertaken an economic opening too quickly have seen that there is some euphoria during the first phase that prompts people to invest more, import more. What follows next is the hangover. Imports begin destroying national jobs, companies have excessive stockpiles [words indistinct] the agricultural sector becomes highly indebted [words indistinct] begin reducing jobs.

[Reporter] Does this mean the economic opening in Colombia will be [words indistinct]?

[Gossain] Will the economic opening be restricted to prevent further unemployment?

[Samper] No [words indistinct] I think the opening must continue. What we are going to do is to establish certain clauses to protect [words indistinct] that are highly sensible, such as the textile, clothing, and timber companies. We are going to establish safeguard clauses that simply and plainly consist of not allowing the textiles and clothing from other countries to compete here in an unfair manner with under-invoincing and artificial prices. These exports try to invade their country with unfair competition. We are going to protect those national industries. Our products are the first priority.

[Reporter] What link do you establish between the war on the cartels, drug trafficking, and unemployment?

[Samper] Unemployment has been felt the most in those areas of the country where the influence of drug money was particularly noticeable, chiefly in certain activities such as construction. It is worth noting that unemployment figures grew dramatically in Cali, Santa Fe de Bogota, and Medellin not necessarily because the presence of that money was greater in those cities than in any other city, but because some money could have been used there to purchase the goods the drug cartels are interested in, as it happens with real estate. These cities have been the most affected and not necessarily because of drug trafficking alone, but this should have had an influence on the rise in unemployment. Since having fought the drug cartels, they were clearly diminished.

[Gossain] It is worth noting that the capture of the drug trafficking leaders has had an influence on the reduction in the construction industry, and the number of construction jobs is down.

[Samper] In some way, this happens not just in construction but in other activities such as commerce, services, and tourism, and in certain areas of the agricultural sectors. We are talking of significant amounts of money, amounts exceeding $1 billion or $1.5 billion for certain sectors. I am not saying all these monies were suppressed [words indistinct] by the government in its war on the cartels, particularly the Cali cartel. It is clear that a sizable amount of those resources in some way ceases to enter the economy, ceased to be funneled into the economy, and that is why we are seeing that there a surplus of real estate in certain cities. There are other factors, sure. I do no want to attribute unemployment to this factor, but I do think the [words indistinct] of the economy we are bringing about with the war on drug trafficking have a [words indistinct].

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[Gossain] An assessment on unemployment and the high interest rates in Colombia has been made; how will you work on this issue to reduce them a bit in the next few days?

[Samper] I do not know. The truth is that this factor is one that has the greatest effect, particularly for businessmen. This factor is the one they note the most, because, given our current interest rates, the production sector is practically working for the financial sector. They are working to stay afloat, as they say.

I think a reduction in interest rates is essential, and we are talking with the Banco de la Republica Board of Directors—you know that this decision does not depend on the government—to ease monetary controls; that is, to have more circulating money in the economy so interest rates may drop on their own. These interest rates are still at an alarming and dangerous level, and this is like a vicious circle. People become indebted with high interest rates, people cannot pay, they have no way of refinancing the debts except through higher, defaulted payment rates, and so on and so forth, until a collapse takes place.

[Gossain] This is a dialogue between RCN and President Ernesto Samper Pizano on the most interesting and worrisome topic in recent days: the increase of unemployment levels in Colombia. Francisco.

[Francisco] Technicians and analysts say small- and medium-scale industries represent the best gauge not only on the employment situation but also on the economic situation of a developing nation such as ours. It has been learned that a study by [word indistinct] is circulating and reveals worrisome figures on the first half of 1996. Production has dropped almost 58 percent, particularly in the small- and medium-scale industry, which is a great source of employment. How do you see this situation? Is there any (?sign) of an economic recession?

[Samper] Yes. True, small and medium-scale industries are somehow linked to the actions of the large scale enterprises. In many cases, we are talking about small- and medium-scale industries that produce for large-scale enterprises, or those whose production is linked with large-scale enterprises. The small-scale enterprises that have been affected the most are the ones that have any ties with large scale industries; these in turn have shown a worrisome (?change) in their behavior. What sectors are doing well? The services sector. The commerce sector has done well somehow. The [word indistinct] sector is doing well. Another sector that is [words indistinct] after being paralyzed almost four or five years is the agriculture sector. The agriculture sector has generated more than 120,000 jobs within the last 12 months; therefore, one thing (?compensates) the other.

[Nieto Bernal] You announced during your campaign a plan to create 1.5 million jobs that was presented in academic sectors as an initiative to create at least 400,000 direct and indirect jobs, for example, the construction of the [word indistinct] tunnel, which would link the eastern and western parts of the country. The coffee sector again broached this issue last week. Do you agree with reviving the idea of the tunnel?

[Samper] I believe public works are immediate sources of employment, and the strategies being developed by the government to counter the unemployment phenomenon include, first of all, as I said, the struggle against contraband; second, the agreements with Banco de la Republica to release resources that allow a reduction in interest rates; and third, low income housing programs. We are expediting the payments and resources for low income housing programs the government is implementing through the compensation funds.

Fourth, public works. Public works are rapid and efficient work providers. In this regard, we have taken steps amid the middle of this fiscal restriction we are experiencing to ensure that public works will be the sector that is least affected. These past few weeks, we have been transferring resources to the Transportation Ministry so it may expedite works on several current fronts. In addition to [words indistinct] which is something to be considered, we are developing very important infrastructure projects, for example, the jungle road that will join Arauca and Putumayo and the [word indistinct] terminal that runs parallel to the Magdalena River. We already have begun work on the second runway at El Dorado Airport; we are completing the highway crossing [word indistinct] Zambrano on the Atlantic Coast, and we are completing the road between Medellin and Turbo. The government is expediting its work fronts, because this also helps provide jobs.

[Reporter] Mr. President, within the government's strategies against unemployment, what about the modality used in other countries that establishes tax incentives to companies that provide jobs to reduce unemployment?

[Samper] The idea is not to generate tasks but, rather, to provide employment. One can keep people busy by paying them 20,000 pesos to sweep the streets. Instead, the idea is to generate productive jobs, and this means a much greater investment. That is why the government's program not only provides incentives to generate jobs but also has a strategy that we could call macroeconomic to maintain economic growth, because a growing economy at levels that are still acceptable, such as 4 percent,

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generates jobs, but they are very localized. For example, we are developing programs to support small-size businesses and have financed more than 27,000 small-size businesses. The [word indistinct] is training youngsters so they may have their own job; this is called self-employment through localized job fronts. Results would be more worrying had we not done all we did to generate jobs through [word indistinct], through these small-business programs, through the [word indistinct], but I do not want to say we are bogged down. I believe we are experiencing the toughest moment of the economic slowdown. What our projections show is that the economy will again regain its rhythm starting in 1997. By the end of my term, I hope to be able to reach the goal of [words indistinct].

[Gossain] But with all due respect, Mr. President Samper, the question that one is asking and that is also worrying is, how does the government plan to create 1.5 jobs at a time when old jobs, jobs which already have existed in the country, are being lost.

[Samper] We need to recover the jobs that are perhaps still being lost, but, I repeat, the economy will emerge from the crisis. In fact, what we expect for 1997 and 1998 is a very satisfactory return. I hope we can straighten the line, as they say in school, from this moment on so we may reach the goal.

We were not doing so badly; we were attaining 500,000 jobs during the first few months of 1996. I repeat, however, still [word indistinct].

**Colombia: De la Calle Sends Note to Samper on Reform**

*PA2607220896 Santa Fe de Bogota EL ESPECTADOR in Spanish 23 Jul 96 p A5*

[FBIS Translated Text] Humberto De la Calle Lombana, vice president and ambassador to Spain, [as published] yesterday disagreed with the head of state's opinion expressed in his speech to Congress in the sense that eliminating the position of vice president is necessary "to ensure governability."

De la Calle expressed his stance in a letter to the president in which he stressed that the office of the vice president is not a factor of ingovernability. He said that any reform to eliminate that post should not be postponed until august 1998 as Samper proposed before Congress.

In his letter, de la Calle rejected the comparison that Samper made between the current political situation and the one that prevailed at the beginning of the century, when Vice President Jose Manuel Marroquin led a coup d'etat against elderly constitutional President Manuel Antonio Sanclemente. In his speech to Congress, Samper said he does not fully share that opinion.

Samper made the historical reference, which de la Calle regarded as inadmissible, last Saturday, when he defended the need for a constitutional reform to restore the position of designated president.

In facing that constitutional amendment, de la Calle reiterated in his letter that he will not be an obstacle. He made it clear that should Congress accept the proposal, "it would not be advisable to defer that decision until 1998."

In addition, de la Calle's letter implies that President Samper did not inform him of his proposal to Congress to promote a reform for eliminating the office of the vice president.

In his arguments, de la Calle termed "unacceptable" remarks made by Interior Minister Horacio Serpa, who publicly recognized that the vice president has not "fallen in with the dangerous excesses of the troublemakers, and has not sided with those who want to turn their backs on reality."

**Colombia: Peasant Unrest Spreads to Putumayo Department**

*PA2907200896 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 29 Jul 96*

[Report by Fernando Ramos; from the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Some 3,000 peasants have already arrived in Puerto Asis, Putumayo Department, and another 5,000 are walking toward that municipality from La Hormiga, Orito, and other areas from (Buamues) Valley. Half of Puerto Asis is now on the move.

[Begin General Luis Enrique Montenegro, National Police deputy director, recording] Three people were wounded with firearms yesteday during the take over....[pauses] the attack on the police precinct. One colonel also received a firearm wound. We must now establish if there are rebels among the people or what is happening. At any rate, there must be an investigation to see who is doing the shooting. [end recording]

The Civil Aeronautics Administrative Directorate canceled flights to Puerto Asis. The National Police and the Army dispatched over 4,000 men to the area.

[Begin Montenegro recording] With the support of the military forces, the Army and Air Force, we are establishing control over the area to prevent a reoccurrence of yesterday's incidents. [end recording]

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The fact remains there is no turning back on the causes that led to the protests, namely, the fumigation programs and restrictions on the sale of gasoline and cement.

**Colombia: Situation in Guaviare, Government Steps Viewed**

*PA2607235096 Santa Fe de Bogota EL TIEMPO in Spanish 25 Jul 96*

[Article by Enrique Santos Calderon: "Lessons From Guaviare" — received via Internet]

[FBIS Translated Text] Guaviare is currently the most vivid example of the precarious power of the State, the complexity of the control of public order, contradictory government policies, and the weakness of the Armed Forces' counterinsurgent policy.

Let us begin with the latter. The Army's unpopularity has become evident throughout the peasants' protests, one of its main dictates has been a rejection of the special public order zones. Criticism of the military's actions by the church's maximum authorities in the region has not been absent.

It should be emphasized that Guaviare is one region where four FARC [Revolutionary Armed Forces of Colombia] fronts are operating and the guerrilla forces have virtually become a parastate. Their presence extends throughout the length of this jungle department, criscrossed by enormous river (Guayabero, Ariari, Guaviare), planted with 25,000 hectares of coca plants, and settled by weather-beaten peasant farmers who are greatly influenced by the FARC.

I was in Guaviare a year ago, and I commented in this column the impressive level of social control achieved by the guerrilla forces. In a town like Retorno, the site of recent clashes, the FARC is the real authority: it enforces dry laws, confiscates weapons, enforces fishing seasons, prohibits the smoking of a mixture cocaine paste and marijuana [bazuko]; and even forces prostitutes to carry a health card.

To a certain degree, the indoctrination of the subversives is made easier by the Army's mistakes and abuses, isolated in their garrisons and forced to take repressive and controlling actions over a population that lives largely from one activity, cultivating coca plants, which the State, pressured by the United States, intends to eliminate. Under these conditions, it is almost an impossible task to win over a community that also lives with guerrilla forces that have been established in the region for a long time.

The unpopularity and efficiency of the counterinsurgent government forces is also explained by the basic contradiction of the government's policy regarding the socio-economic phenomenon embodied by the growing of coca plants in Guaviare.

To forcefully eradicate a business from which almost all the residents make their living in a guerrilla controlled zone without offering the people a serious, convincing, and more or less immediate, economic alternative is a confrontation strategy which explains what is occurring today in Guaviare.

The peasant protests reveal that one year after the launching of the great strategy to eliminate illegal crops, the National Alternative Development Plan (Plante) has not had the desired results. It was understood from the beginning that to "rid" Guaviare "of narcotics," where an authentic coca plant culture and economy existed, was a extraordinary challenge which involved constructing a new economic model for the development of the area.

It has failed. And of the carrot-and-stick strategy (financing alternative crops versus aerial fumigation of coca plantations) the latter has worked best, which has increased the ill-will of the residents.

Despite the dedication of the Plante officials, the failure of the State to guarantee the efficiency of the money invested and to make the specific production alternatives more attractive in a region where legal crops do not reach 5,000 hectares is evident. In addition, the inconsistencies and ambiguities of the government's policies weaken the credibility of its strategy. A few examples tell all.

The Miraflores area, the major coca plant producing area in the country, does not receive a single penny from Plante. The reason is that the large commercial farms (not subsistence farming) are found here, and, in addition, it is a reserved area where the substitution of crops is prohibited.

Fumigation is also at a minimum in Miraflores due to the helicopter flights and the strong presence of guerrilla forces. The peasants, whose small subsistence crops are fumigated, do not understand why the large commercial farms in Miraflores are not attacked with the same intensity.

At a general level, the drastic reduction in social investment in Guaviare (from 2.2 million to 1.4 million pesos per year) makes this strategy even less feasible. In a department that is virtually without means of communication, only 320 million pesos (from a 7 billion pesos budget) will be spent in highways and roads.

An almost surrealist example of these contradictions was demonstrated by the Army last week when it blew up the only connecting road (from San Jose to Calamar) to avoid a peasant march from crossing.

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Because the taxes levied by the guerrilla forces on the coca plantations provide them with a juicy financial source, they are not very interested in the eradication of the coca plantations. They take advantage of the contradictions and mistakes of the State to strengthen their influence and to turn the residents against the government and the Armed Forces.

This is how Guaviare's jungles and flats, with its thousands of protesting farmers, are today the stage for a complex social, political, and economic conflict that summarizes Colombia's problems.

These problems are: the inability of the State to assure development in marginal regions and, as a result, the inability of the Armed Forces to contain the subversion; the dead end of an antidrug policy that does not offer viable alternatives to coca leaf farmers, who are the first link in the drug trafficking chain; the impossibility of complying with the eradication goals demanded by the U.S. Government, without turning Guaviare (or Caqueta, Putamayo, etc.) into authentic war zones.

By the way, how many similar wars would the United States be willing to wage in its own territory to combat drugs?

## Ecuador

### Ecuador: Moncayo Says Peruvian FAP Chief's Remarks 'Sad'

*PY2907233796 Madrid EFE in Spanish 1833 GMT 27 Jul 96*

[FBIS Translated Text] Quito, 27 Jul (EFE) — Ecuadoran Army Commander, General Paco Moncayo on 27 July termed "sad" the fact that the Peruvian Air Force (FAP) wants to defend the Rio de Janeiro Protocol with planes and not with reason.

"The fact that an officer wants to defend the protocol with aircraft when it must be defended with reason is sad," Moncayo said, referring to remarks by General Waldo Richter, the FAP Commander in Chief.

On 23 July Richter said that when necessary, the FAP will use "the force with all its power" to defend the border with Ecuador established by the 1942 Rio de Janeiro Protocol.

Ecuador claims that said protocol is inapplicable because the borders established by that protocol are not in line with the geographic situation of the Amazon region, and this is the reason why several stretches of the Ecuadoran-Peruvian border still lack border markers.

Moncayo, designated chief of the Armed Forces Joint Command by the president-elect, said that Ecuador "has always been the defender of the peace with Peru." He expressed hope that the guarantor countries "will be able to propose the best ways to achieve the definitive solution to the territorial conflict."

Argentina, Brazil, Chile, and the United States are the guarantor countries of the Rio de Janeiro Protocol, in addition to the 1995 peace agreements that prevented the armed confrontation between Ecuador and Peru between 26 January and 28 February 1995 from being unleashed into a total war.

### Ecuador: Alfredo Adum's Plans as Energy Minister

*96SM0455A Guayaquil EXPRESO in Spanish 22 Jul 96*

[Interview with future Energy Minister Alfredo Adum by Cecilia Alvarado on 21 July: "Alfredo Adum, via Cellular Telephone" — received via Internet]

[FBIS Translated Text] The new energy minister explains his plans and clarifies some misunderstandings.

New Energy Minister Alfredo Adum spoke yesterday with EXPRESO. He never wastes time, not even on Sundays, so that we interviewed him via cellular telephone, while he was on his way to a laboratory of larvae that he owns in Santa Elena.

Adum explains that it is not he who will decide whether or not fuel prices rise, but the policies of the president and the price of the dollar.

And another clarification: he says that he will not "recover" from his cabinet position his investment in Bucaram's campaign (6 billion sucres, by his own admission). He says that he has already recovered the money from his various businesses, which include shrimp exports, chickens, larvae laboratories, shopping centers, and cable television.

A few minutes earlier he had been reluctant to answer our questions, because, he says, EXPRESO attacks him. But he finally agreed to talk to us.

[Alvarado] Dr. Adum, certain of your statements on the mechanisms for maintaining or raising fuel prices were not clear...

[Adum] They will be maintained at their real price. But let me clarify. I have to wait because fuel prices move as a function of the devaluation or rise of the dollar. It is the Monetary Board and the market that decide whether the dollar rises or goes down. It is not Petroecuador [Ecuadoran State Petroleum Enterprise] that determines the price of the dollar. The system of fuel prices in the country has become dollarized. It all depends on what the Monetary Board determines in the future, and I will be guided by what the president of the republic decides.

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I am not the person authorized to raise or lower fuel prices.

[Alvarado] Will the regulation that permits increases in fuel prices be abolished? What policies will be followed with respect to gas?

[Adum] These policies are up to the president of the republic. I will do what the president says. The policies that will be followed will be those he tells me. I will make decisions as the president indicates and suggests.

[Alvarado] Will you have advisors to inform you about decisions you must make in the position you will be occupying?

[Adum] Of course. I have my own view of things, a businessman's view. But I must be able to count on a group of advisors who can provide me with the history of the reasons why things have turned out the way they have. If the Ecuadoran people are not pleased with the management of the petroleum industry, it is because those who have been in charge are inept, or they did not know how to put on their pants or adjust them, and make correct decisions at the right time.

[Alvarado] Is the construction of a new oil pipeline necessary? An ex-minister of energy believes it is not, because the volume of petroleum production in the country does not justify it...

[Adum] A new oil pipeline must be built. There are many unexplored areas in the country. There are many reserves, some confirmed and some still to be confirmed. The pipeline is necessary to be able to individualize the crudes — to be able to carry heavy crude through a different pipeline than light crude, because the latter brings a higher price on the international market and a higher premium.

[Alvarado] Do you intend to build the pipeline with government money?

[Adum] No, the new pipeline will be built by concessions. Which means that private enterprise will build the pipeline and transport the petroleum for a period of 20 years, after which the pipeline will become state property. So, what do we lose if foreigners come and build the new pipeline? Nothing.

[Alvarado] On a personal note, will you recover your investment in Abdala Bucaram's election campaign through some petroleum contract?

[Adum] Certainly not. I turned over to the party six billion sucres ($2 million) to be used in the campaign, which I have already recovered.

I have many businesses. I export shrimp; I am the principal producer and the second largest exporter of shrimp in the country. I am also a shareholder in TV Cable, and I have a chicken ranch.

## Ecuador: Alfredo Adum's Behavior 'Disturbing'

*96SM0455B Quito EL COMERCIO in Spanish 18 Jul 96*

[Editorial: "Adum, Reprehensible Signals" — received via Internet]

[FBIS Translated Text] The country is watching the signals that the new government has been sending since 19 May. For the economy they are reassuring. In politics, cooperation. On border issues, continuity.

Therefore, the most recent actions of Alfredo Adum are disturbing, very much so. On election day he assaulted Juan Arnaut, systems chief at Filanbanco, although there have been no charges. And last Tuesday it was he who directed the group that removed Gustavo Bucaram, the brother of the president-elect, from the offices of the Judicial Technical Police of Guayas. Bucaram had been arrested in an automobile that had been reported stolen. Adum acted on his own, without any judicial order or consultation.

Those who were involved — and even the president-elect himself — put forward the story that there was some mix-up over a woman with whom a friend of Gustavo Bucaram was involved, and that this was the reason for the confusion. They also said that the action by the police was illegal, as there had not been an arrest warrant. But why should there be one when the police acted as they usually do when a culprit is caught red-handed?

Everything considered, are these reasons to disregard civil conduct and violate the law in this way? Must the country acquiesce in the president-elect's friends interpreting the law as they see fit and deciding how justice is to be carried out?

The government, because it is the government, must not only respect the law. It must set the example, as our grandparents used to say, because its acts have a multiplying effect. What remains of the work of the Judicial Technical Police in this case? Who will be willing to testify against those close to the new government (in the hypothetical case that they might have to), now that they have seen that it is enough to gather a posse and remove any prisoner from the premises of the police itself?

Is this the conduct that the new government intends to follow when its members find themselves in difficulties with the justice system? Is the reaction of the president-elect (who did not condemn the incident) a signal that he will "cover" for these acts?

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Abdala Bucaram said that he wished that a certain kind of politics — that he himself had resorted to, he said — would no longer be practiced in the country. Let us hope that neither will there be, during his term of office, conduct that tarnishes the best intentions and feeds the worst suspicions.

The president-elect has shown a sense of state recently that many sectors of society have applauded. But apparently, some of his collaborators do not understand that they have arrived in government, and that the state is not handled with the questionable standards of a group of friends.

Democracy (which is why it is a daily lesson) is based on respect for the law and on transparency of conduct. To resort to violence (or to use the influence or structures of the state for that end) is a dangerous temptation into which the new government must not fall. Bucaram owes the country an explanation.

**Ecuador: Emetel Privatization Process Reviewed**

*96SM0457A Guayaquil EL UNIVERSO in Spanish 17 Jul 96 p 4*

[Unattributed article: "1997 Belongs to Emetel"; first paragraph is EL UNIVERSO introduction]

[FBIS Translated Text] Privatization of state-owned companies to provide better services to citizens is a world-wide reality. Emetel is involved in this process, but the radical changes will be apparent only in 1997.

The privatization of the State Telecommunications Enterprise [Emetel] continues its course. So far, the phase of conversion into a corporation has been completed, and it will now be administered under the rules of the Law of Companies.

Later, it will have to split up, with one company to be established in Quito and the other in Guayaquil, with 35 percent of the shares of each company sold to foreign operators.

According to engineer Sergio Flores Macias, general manager of Emetel, that phase will be completed in November. The state will then own 55 percent of the shares, while the workers will be able to acquire up to ten percent of them. The operators will have control of the management of the firm and will form part of the board of directors, with four of the seven members. The state will have two of the remaining members and the workers will have one. According to Flores, "This is a great step forward, because it depoliticizes Emetel."

**How Are the Shares Being Sold?**

The reformed version of the draft law presented by Congress to accomplish Emetel's privatization establishes a mechanism which first qualifies operators, based on their experience in administering telephone companies. The concession contract for the next five years is then negotiated, and finally the contract for the purchase of the shares is completed.

Subsequently, the operators will sign the contract of adherence to the two above mentioned contracts, and then they will pass to the following phase, which is the presentation of bids for each of the split-up firms. The bid envelopes will be opened publicly and the two highest bids accepted.

This system for privatization has also been used in Chile, Argentina, Venezuela, Peru, Cuba, Mexico, and other countries, with good results.

It should be emphasized that, in the contract of concession, there is a commitment to expand service so that in five years there will be an average of 14 lines per 100 inhabitants.

Also, at the moment of sale of 35 percent of the shares, only value-added services (data transmission, telefax, etc.) will be open to competition, except for telephone services and circuit leasing. Only after the period indicated in the contract (five years) will everything be open to competition.

**The Conversion Phase**

At the moment, Emetel is in the phase of conversion into a corporation.

"As soon as the Superintendency of Companies issues its favorable judgment on the conversion, we will continue the process, which is inscription in the Chamber of Commerce and the relevant publications, and finally inscription in the Mercantile Register. Only at that point will Emetel legally become a corporation," explains Flores.

The executive director of CONAM [expansion not given], Patricio Pena, said that the tasks involving the corporate phase of the project would be carried out throughout the term of this government.

These phases include the conversion of the state-owned company to a corporation, the preparation of an accounting balance sheet that will allow the division into two operating enterprises in accordance with the law, the collection of the documents necessary for the process, and the documentation for the transactional phase.

As for the exact value of Emetel, this is up to the Gerasin consortium to determine. So far, it has not been possible to set a price.

And while radical improvements in telephone service are expected, Flores defends the efforts made by Emetel

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to improve service. "We have installed a record number of lines, approximately 70,000 new clients each year. By the end of 1996, we will have installed 100,000 new lines."

The head of Emetel recognizes that there is still much to be done to catch up to other countries that are making progress in telecommunications.

Peru began privatization of its telecommunications services two years ago with a density of 2.6 lines per 100 inhabitants. There are now 6.1 lines per 100 inhabitants and that figure will soon be surpassed as investments in Peru's communications industry are very heavy.

"We have 6.1 lines per 100 inhabitants, while the average in Latin America is 11 lines per 100. We must invest heavily in order to catch up with the advances of other countries," Flores said.

**New Rates**

One of the future changes to be made in the company will be a reorganization of the rates, to eliminate the existing cross-subsidy between international rates — which are extremely high — and local rates.

This situation is exploited by illegal companies that make cross calls, so that international calls appear to be local. "This is what we want to eliminate and therefore we must make our rates more competitive," Flores added.

The sale of Emetel's shares is expected to be completed by December 1996. Unless the current government decides differently, Emetel will be privatized in 1997.

**[Box, p 4]**

**Emetel Becomes a Corporation**

Quito. Emetel will become a corporation today.

This step will continue the privatization process that includes the sale of 35 percent of its shares to domestic and foreign investors and ten percent to the firm's workers.

**The Comptroller's Report**

The Superintendent of Companies, Juan Carlos Arizaga, will receive today complete information from the Comptroller's Office on the financial condition of the state enterprise.

After examining these documents, Arizaga will issue the juridical act of conversion of the state enterprise into a private corporation.

It was learned that the financial statements have been duly audited and are in accord with the requisites for conversion.

**Other Steps**

Once this phase is concluded, the Telecommunications Modernization Council will continue with other steps to complete the sale of 35 percent of the shares to domestic and foreign investors.

Arizaga Gonzalez said that tomorrow he would provide information on the juridical conversion of Emetel.

**[Box, p 4]**

**Plans: Present and Future**

There will be many investments. Contracts have been signed for rural telephone service, the installation of 45,000 new lines for Quito and Esmeraldas, and an intelligent network for those cities that will provide services like those that exist in the United States. Users will receive the following services, and others, through this system:

- Dialing 800 causes the person who is receiving the call to pay, by agreement with the company nationwide. By dialing 900, the reverse occurs.

%Televotos service will also be available. This is to learn the results of polls and elections.

%Voice mail. Through Emetel, a voice mail box can be leased for six months. Thus, one goes to a public telephone once or twice a day to call the voice mail box and listen to any messages. This can be shared with other family members.

Bidding has been opened for expansion throughout the country of 300,000 new lines, and work is proceeding in rural areas.

Work is proceeding on projects with government-to-government financing with Korea, Sweden, and Spain. Contracts have been signed to integrate 1,200 communities into the telecommunications network.

**What Is Going To Be Corrected**

There will be a different system for payment, as long as the private company negotiates with the appropriate authorities, so that users can update their information without fear that they will lose their telephone lines. This will make it possible for telephone bills to go to residences.

Currently, a decree of Congress prohibits the sale of telephone lines to private persons or the transfer of lines

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between such persons. In any case, people are doing this illegally, which results in Emetel's information on names and addresses being inaccurate, and therefore Emetel being obliged to seek payment through banks or from the firm itself.

**Ecuador: Huaoranis View Colonization, Damage to Lands**

*96GE0084A Guayaquil EL UNIVERSO in Spanish 17 Jul 96 p 1*

[Article by Marcelo Galvez: "Huaorani Indians Block Access by Petroleum Workers"]

[FBIS Translated Text] Puyo—About 200 members of the Huaorani, an indigenous tribe, met last weekend in Tiguino, in the Province of Napo, to review both the ecological damage caused by the petroleum companies as well as the "invasion" of settlers, the majority of whom were brought to the area by companies producing petroleum. These settlers are now reportedly living on lands claimed by the Huaorani.

It was learned in Tena, capital of the Province of Napo, that the indigenous people are ready to fight and have initiated a series of skirmishes which reportedly have caused at least one settler to be wounded. It was not possible to confirm the situation due to the remoteness of the area involved.

The Huaoranis had invited to the meeting held last weekend in Tiguino executives of the petroleum companies which are exploring for oil in eastern Ecuador, as well as officials of PETROECUADOR [Ecuadoran State Petroleum Enterprise]. However, only Dr Angel Sereni, director of the National Institute of Agrarian Development (INDA), attended the meeting, arriving in a small aircraft. Nevertheless, in an attempt to gain time for negotiations, he worked out an agreement for representatives of the indigenous people to meet with government officials, industry representatives, and other people in Quito on 18 July. The Huaorani representatives will travel to Quito by various means of transportation.

According to a communique issued by INDA, a meeting has been arranged involving a committee made up of Huaronis, settlers in the area, members of the National Congress, officials of INEFAN [Ecuadoran Institute of Forests, Natural Areas, and Forest Life], and representatives of the armed forces. The meeting is to be held on 18 July at 1100 at the offices of INEFAN in Quito.

**Indigenous Demands**

After the meeting at Tiguino last weekend the following points were made public by the Huaorani people:

- 1) Legalization and recognition by the Ecuadoran Government of ancestral, o73 Huaorani lands, consisting of 50,000 ha located between the Tivacuno, Pindo, and Shiripuno Rivers. (The Shiripuno River is also known as the Tiputini River.).
- 2) The immediate departure of all settlers from the area along the Auca-Tiguino road, from the Shiripuno-Conocano Rivers to the Tiguino River.
- 3) Yasuni National Park will be declared part of the national heritage. If the agreements made between INEFAN and the ONHAE [National Organization of the Huaorani People] are not carried out, Yasuni National Park will be declared Huaorani territory by the Huaorani people who live in the Amazon jungle.
- 4) Both PETROECUADOR, PETROPRODUCCION [Ecuador State Petroleum Production Company], and other, transnational petroleum companies will be held directly responsible for the damage which they have caused in Huaorani territory.
- 5) The Huaorani people firmly declare a total prohibition against the entry of petroleum companies into Huaorani territory unless they previously reach or sign an agreement directly with ONHAE.

**Ecuador: Oil Pool Cleanup Activities Described**

*96GE0084B Quito HOY in Spanish 24 Jul 96*

[Article by Fermin Vaca S.: "Healing the Wounds of the Forest" — received via Internet]

[FBIS Translated Text] The PECS DESMI Company of Ecuador [an environmental cleanup company using a compound identified only as PECS and a petroleum suction machine produced by the Danish Environmental Suction Machine Company, or DESMI, in Denmark] is carrying on environmental cleanup work in the Coca and Shusufundi petroleum fields. The company invited a representative of HOY to make a visit to settling pools in the area which have been polluted with petroleum residues and where the environmental damage that has been done is made good.

The PECS DESMI Company is a subcontractor of TEXPET [Texaco Petroleum Exploration Company], a subsidiary of the Texas Petroleum Company (TEXACO). It is charged with cleaning up the environment damaged by Texaco petroleum exploitation operations in Ecuador.

The "Blanco y Negro" [Black and White] supplement of this issue of HOY publishes a complaint by a translator who formerly worked for Grupo Azul [Blue Group], another subcontracting group which originally carried out the environmental cleanup work which now is in the hands of the PECS DESMI Company.

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In a letter to several institutions Carlos Fiallo denounced the fact that TEXPET and Grupo Azul are carrying on environmental cleanup operations, using what he considers totally inadequate techniques. He stated that the environmental cleanup work so far undertaken has left the areas near the petroleum wells in worse condition than they were at the beginning.

The PECS DESMI Company, which is now working on 75 of the 139 ponds which must be taken care of, explained its activities and demonstrated the results it has achieved in terms of environmental cleanup.

According to its officials, the company was unwilling to publish details of its activities because of a "confidentiality clause" in the contract which it signed with Texaco. One day Francisco Ramon became angry with politics. He became convinced that the best way of doing something for the environment of Ecuador was to take action.

Therefore, this 50 year old man, who was formerly president of the Supreme Electoral Board, received representatives of HOY and executives of the PECS DESMI Company at the small airport of Coca, wearing a jungle commando hat and a broad smile.

As he led us over the dirt and mud roads of the town, which had never been paved, despite the nearness of the essential raw material of asphalt, Francisco Ramon said that for the past four years he has been chief of operations of the PECS Company in the Amazonia area of Ecuador.

From his base in Sacha, he supervises the work of 250 people, who are cleaning 75 pools located near the petroleum wells in Coca, Shusufindi, Lago Agrio [Bitter Lake], and Sacha.

The cleaning operation began some time ago, after the Ecuadoran Government signed an agreement on environmental cleanup with Texaco, the North American company which, in association with the Ecuadoran state, has drilled more than 500 petroleum wells in Amazonia.

Texaco withdrew from Ecuador in 1987, leaving the infrastructure of wells in production, highways, and some other operations under way in an area which was virgin jungle prior to Texaco's arrival in the country.

However, it also left behind a serious problem—the consequence of the technology used in the drilling of the wells. Alongside each of the wells are two or three large pools in which the residues of the drilling operation were deposited. Among these residues was radioactive water which came to the surface with the petroleum and was deposited in one pond; "drilling mud" (used to lubricate the drilling bits), which was deposited in another pond; and waste crude oil in another pond. When the drilling equipment was withdrawn, only a tube (called a "Christmas Tree") remained in the well. From the well crude oil was carried to installations where it was processed and conveyed to the petroleum pipeline which goes to the port of Esmeraldas.

Nevertheless, the pools are still there. Covered over, little by little, by vegetation, used as places for dumping garbage and sewage, they have become a problem for the settlers who live alongside them. Animals fall into them. Petroleum filters into the ground. These pools, which are covered with vegetation, have become dangerous swamps.

To clean them up, many techniques have been used, from covering them over with tree trunks and earth to spraying powerful solvents in them, such as toluene, which subsequently has made them even more contaminated. o73

**'Extraordinary Work'**

Francisco Ramon is proud of the work of his men. He personally supervises the work on each pool and has a detailed program to deal with them. His confidence and that of German Avila, the managing director of the company, in the product known as PECS [an environmental cleansing compound], is such that they state that it is inoffensive and biodegradable. They say that they would not be afraid to drink it themselves.

Furthermore, Ramon emphasized that their work has made it possible to carry out a "real" conservation effort, and he criticized ecological groups who do not know in detail the environmental problems involved.

A HOY representative visited at least 15 pools, where we noted the different phases in the cleanup effort.

Ramon hopes that the work will be completed by October. Avila hopes that the PECS DESMI Company, a majority of whose capital is Ecuadoran, can extend its operations to other countries.

They emphasized that the PECS technology is Ecuadoran and that their company uses a system which is totally revolutionary, compared to those in use in the rest of the world.

Nevertheless, they did not explain what PECS technology is because of a "confidentiality clause" in their contract with the Texaco Company, from which they had to ask authorization to explain their work.

As they took us to the airport for our return flight to Quito, Ramon stated that, "one should practice ecology in the field and not by expressing unfounded criticism."

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### A Difficult Task

For the PBCS DESMI Company this is not the first time that they have dealt with petroleum settling pools. The company has already worked with the City Services Petroleum Company on a similar job. When other companies, such as Grupo Azul, stopped cleaning up the petroleum pools, the PBCS DESMI Company took charge of them.

German Avila, managing director of the company, explained the technique which has made it possible for them to cleanse the "wounds" of the jungle. They use the "PBCS product," a dispersing, biodegradable agent which has led to expressions of no confidence in them and some criticism. They spray the "PBCS product," dissolved in water, on the petroleum ponds.

Apparently, the "PBCS product" breaks the surface tension of the water in the ponds and surrounds the petroleum, facilitating the work of a suction machine manufactured by DESMI, a Danish company, to remove almost solid crude oil, of a density of four or five degrees API [American Petroleum Institute]. In a short time the ponds are free of petroleum, and the remaining water is treated to reduce the presence of heavy metals. Avila explained, "The water has less than 15 particles of heavy metal per million," and he said that it is almost totally clean.

## Paraguay

### Paraguay: Wasmosy Orders General Segovia Boltes Release

*PY2607184496 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1600 GMT 26 Jul 96*

[FBIS Translated Text] General Jose Felicisimo Segovia Boltes was released at approximately 1110 on 26 July. President Juan Carlos Wasmosy, Armed Forces commander in chief, ordered Segovia Boltes' release through Special Order 46, which states: The arrest of Division General Jose Segovia Boltes as stipulated in Special Order 35 of 3 July of this year is hereby lifted.

Boltes was arrested for suing Vice President Angel Roberto Seifart without the authorization of the commander in chief. Seifart implicated Segovia Boltes in an alleged attempt against his life during April's military crisis.

Gen. Segovia Boltes will require the president's authorization to attend a court-ordered conciliation meeting with the vice president.

## Peru

### Peru: Several Injured by Bomb Explosion in Lima

*PY2907120096 Madrid EFE in Spanish 0608 GMT 29 Jul 96*

[FBIS Translated Excerpt] Lima, 29 Jul (EFE) — Officials confirmed that several people were injured early this morning when an explosion destroyed the front of a three-storied building in the San Borja district of Lima.

First police reports state that the explosion occurred at 0010 (0510 GMT) this morning. It had apparently been placed under the car of a high-ranking police commander who lives in that building.

The same sources said that the injured are not in serious condition but that the material damage is considerable.

Several hospitals are located on the street where the bomb exploded.

Members of the Police Bomb Squad Division and fire fighters immediately came to the site. [passage omitted]

### Peru: Colombia's Samper, U.S. Criticized on Visa Affair

*PY3007034096 Lima LA REPUBLICA in Spanish 25 Jul 96 p 19*

[Article by Juan Pablo Alayza: "Neither Washington Nor Samper"]

[FBIS Translated Text] The Clinton administration's decision to make the U.S. Department of State cancel President Ernesto Samper's U.S. visa is not only in very poor taste but also a sad blunder.

There is a whiff of colonial haughtiness and lack of good manners in this decision because even if it is targeted at a probably corrupt head of state who no longer possesses authority, it is nonetheless an attack on a constitutional ruler of a democratic country.

Since the disclosure of several pieces of evidence — even if this is circumstantial evidence — that deals were finalized with members of drug cartels and, what is even more serious, that the Colombian president received several million dollars for his election campaign, Samper has been morally implicated with the drug barons at best.

To make matters worse, the Colombian chief executive admits having received financial support from drug kingpins, although he denies having dealt directly with the latter, as is still alleged.

Samper has been exonerated by the Chamber of Deputies in Colombia, which — like most of the

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important countries in Latin America — has a bicameral system of government. This notwithstanding, the Colombian president has fallen in total disrepute and most of his country's institutions have requested his resignation or removal from office.

If any other country of the Andean region were involved with drug-runners it would be equally serious. Nevertheless, in the case of Colombia, the situation is extremely serious. One has to bear in mind the fact that this nation has been enmeshed in a sort of civil war for more than a decade in its attempt to combat narcoterrorism and that this war claimed many lives, including those of presidential candidates, ministers of state, and political leaders. One should not forget, either, the perpetration of criminal attacks like the one made on the Supreme Court building some years ago and others of similar magnitude.

Furthermore, the situation becomes even more tragic when considering that the country in question is the number one producer of coca by-products — especially cocaine — in the entire world.

It is very easy for the United States — which is the leading clandestine importer of drugs — to consider the problem only from the point of view of its origin — in this case Colombia, Peru, and Bolivia. It is preposterous, however, to expect that drug-producing countries control drug trafficking within their borders when the United States itself is unable to prevent drugs from crossing over its own borders and, worse still, is unable to put a stop to the major domestic drug trade.

If the tremendous economic capacity of the most powerful country on earth and its sophisticated equipment are unable to control the scourge of drugs which is ravaging its citizens — particularly the young — it is absurd that it should impose such ambitious goals on underdeveloped drug-producing countries, especially when they receive such meager sums to combat drug trafficking.

In addition, the problem of drug use in the United States should be seen from a moral angle, from the standpoint of a society ideologically given to consumerism in which values are in crisis — which is something that is continuously avoided. The United States — where, paradoxically, there are still many poor people and large sectors of marginalized people on account of various reasons like race or education — does not encourage other values in youngsters than the search for immediate pleasure. This is due to the fact that it lacks national goals in which all sectors of society may become involved.

The United States makes a great to-do about Samper's case — which is indeed disgraceful and worrisome — but its fruitless attempt at combating this scourge fully proves that drug trafficking has also infiltrated into U.S. government circles, not to mention federal and state law enforcement agencies. The difference lies in two significant factors: First, a single mafia cannot easily control such a huge and powerful economy as that of the United States, something which may occur in smaller and poorer nations, like the Andean ones. Second, the soundness of the U.S. democratic system of government has made it possible for this country to spawn mechanisms that enable its institutions to defend themselves and prevent corruption from permeating into the top echelons of the administration.

The foregoing shows that the stance Washington adopted on this issue has for many years been cynical and deplorable. The cancellation of Samper's U.S. visa — which according to the Americans, is a matter that pertains to U.S. domestic policy — constitutes a blatant maneuver to destabilize the Colombian president and force him to step down. Any other argument advanced to explain this measure constitutes a mere fallacy and a falsehood concerning the real objective of such a measure. Now, had the United States wanted to voice an opinion or even put pressure on Colombia to make Samper resign it could have sent a plenipotentiary minister who could have politely conveyed the U.S. displeasure in private.

The entire hemisphere was, therefore, nearly unanimous in condemning the U.S. measure on the grounds that it constitutes a violation of the independence a country has to charter its own destiny. Once again, the United States has evinced its inclination to become the world's police. Nevertheless, incoherence resurfaces when the police only want to be the guardians of their own interests; as the U.S. vocation for tutelage rapidly vanishes into thin air, when it is a question of rescheduling debts or granting loans to other countries.

Meanwhile, pressures keep mounting in Colombia. The weakened head of state seems to be the only one who is unconcerned about the democratic future of his own country. His own Liberal party has split into two. There are only two possible explanations — the Colombian president's blind and unhealthy arrogance precludes him from realizing that the only reasonable thing to do is abdicate or else he needs to cling to power because he is implicated up to the hilt.

It is not necessary for Samper to be guilty to step down. The loss of face and political discredit of this strange character make him harmful to and unfit for the continuity of Colombian democracy. Colombia needs a new president, one who can kindle the hope of a stable future.

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**Peru: Fujimori on Debt Agreement With Paris Club**

*PY2507170396 Lima EL COMERCIO in Spanish 21 Jul 96 p A1*

[FBIS Translated Text] Following four days of intense negotiations with representatives of the Paris Club — which were brought to a close on 20 July — the Peruvian mission headed by Economy and Finance Minister Jorge Camet hammered out a debt rescheduling agreement with creditor industrial countries associated with the Paris Club, which provides for a repayment period of 20 years.

This was reported on the same day by President Alberto Fujimori, who observed that Peru and Russia are the only countries which have rescheduled their debts under such favorable terms.

The head of state explained that one of the immediate benefits Peru will derive from this accord is a reduction of $750 million in interest maturing this year, down to a total of $450 million.

Fujimori said: "Frankly, we did not expect to obtain such a debt rescheduling agreement. In fact, we had a problem since, had we failed to reschedule our debt with the Paris Club, we would have been obliged to pay $1.2 billion [in interest]. It would have been impossible for our economy to withstand such an outlay."

Nevertheless, Peru will have to disburse approximately $1 billion to service its debt in the years 2002 or 2004. The chief executive said: "There is a respite in the first three years and then we have to repay our external debt in the remaining 17 years."

Another positive consequence of this accord is that Peru will not have to reschedule its obligations with the Paris Club every two or three years, as it did in the past "because we have already restructured it so that we will fully repay it in 20 years."

Furthermore, it will not be necessary for Peru to sign a letter of intent with the IMF "because the IMF's support was a prerequisite for negotiating a rescheduling agreement with the Paris Club."

The head of state nonetheless commented that in the future, Peru's macroeconomic policy will not sway from its present course.

Peru's debt with the Paris Club amounts to some $9 billion. Of this amount, only $7 billion corresponding to debts incurred before 1983 were rescheduled.

The president said that the debt contracted after 1983 must be repaid within the terms agreed upon with each country.

It is common knowledge that this distinction between the debt contracted before and after 1983 is due to the fact that on that year, when Peru negotiated a debt rescheduling agreement with the Paris Club for the first time, the latter did so on condition that all debts incurred after 1983 would not be rescheduled.

Fujimori further stated that the outcome of the negotiations with the Paris Club constitutes an acknowledgement of the results obtained by the Peruvian economy over the last few years.

**Peru: Fujimori Says Economy Will Recover From Retraction**

*PY2607032096 Lima America Television Network in Spanish 0100 GMT 26 Jul 96*

[FBIS Translated Text] President Alberto Fujimori admitted today that this has not been a good year but he predicted that the economy will recover in the second half of this year.

[Begin recording] [Unidentified reporter] It was a self-criticism which immediately led to an optimistic speech, full of confidence in the future of the country.

[Fujimori] It is true there was some retraction in the economy. It has not been a good year, but this semester we have seen how big projects backed by large investments have been implemented. This shows that the Peruvian economy is beginning to recover. Our economy will begin to pick up speed in the second semester. The environment of confidence prevails despite the retraction of the economy.

[Reporter] According to Fujimori, the circumstantial problems of the economy are being overcome with clear rules and responsible economic handling.

[Fujimori] Credit is the best sign of an economy, it is a sign of good economic health. Peruvians can even now buy houses and apartments with long-term credits. This means confidence, confidence of the large investors that should be corresponded by the smaller investors, and this is fortunately happening with the small investments through the people's participation.

[Reporter] Another sign that Peru inspires confidence is the good conclusion of the negotiations with the Paris Club, which will allow the debt with this club to be easier to manage in the next century.

[Fujimori] We don't have Russia's strategic international position but Peru with its own merits has obtained favorable advantages that are comparable to the ones obtained by Russia for restructuring its debt. We obtained a 20-year term, therefore we are no longer afraid of the accumulated debt. With the new amortization of the

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debt, the $500 million to be paid in 1996 will be paid in 2002 or 2003, or [figures indistinct], which should have been paid in 1996. [end recording]

**Peru: Bolivian President Sanchez To Visit 27-28 Jul**

*PY2607020996 Lima EL COMERCIO in Spanish 23 Jul 96 p A4*

[FBIS Translated Text] Bolivian President Gonzalo Sanchez de Lozada will visit Peru on 27 and 28 July as a special guest to participate in the 175th national independence anniversary.

The Peruvian Foreign Ministry confirmed yesterday that the Bolivian delegation will be made up of Foreign Minister Antonio Aranibar; Presidential Minister Jose Guillermo Justiniano; Armed Forces Commander General Reynaldo Caceres Guiroga; Industry and Commerce Secretary Douglas Ascarrunz; and Transport Secretary Alfonso Kreidler.

Peruvian Foreign Minister Francisco Tudela and his Bolivian counterpart Antonio Aranibar will sign cooperation agreements on science and technology; judicial aid on penal matters; and the transfer of persons serving sentences and minors under special treatment.

**Peru: Reasons for Co-optation Into Ruling Party Seen**

*PY2607171296 Lima LA REPUBLICA in Spanish 20 Jul 96 p 6*

[Article by Mirko Lauer: "For Whom Neckties Are Knotted"]

[FBIS Translated Text] There are those who view the recruitment of independent congressmen by the ruling New Majority-Change 90 coalition as an attempt to muster 80 votes in the next session of Congress, i.e. the required two-thirds to reshape the current Constitution as it thinks best. The ulterior motive would be a third presidential term in the year 2000. This hypothesis is quite in consonance with the style adopted by the Fujimori administration.

This notwithstanding, there are some things that do not fit here. If the idea were to muster the necessary votes to enable a re-election, why would it be necessary for Congressman Dennis Vargas [who defected from Code-Viable Nation to join the ruling coalition] and all the other defectors to become card-carrying members of the New Majority-Change 90? These present-day turncoats have aligned themselves with the incumbent administration and voted in favor of it on most occasions. They would, therefore, be of better service to the present administration if they gave every appearance of being independent.

The swelling number of congressmen who join the ranks of the ruling coalition only serves to worsen the image the public has of the ruling coalition as a steamroller. Nor does it help that Vargas broke the news of his new party affiliation to President Alberto Fujimori instead of to the Congress president. (We could see the head of state on television looking terribly uncomfortable with the obsequious attitude his new acquisition adopted to ingratiate himself with the president).

Let us not forget that one of the strong points of the New Majority-Change 90 has been its ability to count on the votes of independent or opposition congressmen when it most needed them. This has not only increased the legitimacy of the majority, but also has served to bring potential dissidents to heel. Why would the Fujimori administration undo an arrangement which proved so adequate for all the parties involved?

We, therefore, think it advisable to explore other hypotheses. One could be, for example, that Fujimori is trying to co-opt congressmen because he is anticipating a rebellion within the ruling coalition. Granted, there are only some slight indications of a possible rupture within the ruling party, but these indications nonetheless exist.

Along the same lines, the importance of Vargas being a card-carrying member of the New Majority-Change 90 perhaps does not lie so much in that he will align himself with the ruling coalition when voting in Congress, but rather in the fact that he may be counted as a full member of the ruling coalition when internal dissension erupts. According to this line of reasoning, Fujimori might be trying to create a majority within a majority.

This may be related to the weakening of ties uniting the opposition in Congress. It is common knowledge that a considerable number of lawmakers from the UPP [Union for Peru Movement] and other opposition parties are willing to vote in favor of government proposals on condition that democratic institutions are preserved — vague shadows of a possible rebirth of the New Majority.

Given this state of affairs, Vargas is not a seat, a politician, or a lawmaker, but only a symptom — when consensus of opinion begins to crumble, blocs try to secure their votes more firmly. Vargas has the means to be securely bound — his 367 ties, which keenly compete with Fujimori's hats. They will prove to be a dynamic duo on the high plateau.

If the hypothesis of the co-optation of 80 congressmen turns out to be right, the incumbent administration still lacks 10 recruits. Rumor has it that Congressmen Francisco Pardo Mesones, Miguel Siccia, and Susy Diaz may be likely candidates for this. The people may very

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well elect their representatives, but birds of a feather flock together.

**Peru: Commentator Views Shifting Political Alliances**

*PY2607165096 Lima EXPRESO in Spanish 21 Jul 96 p A2*

[Manuel D'Ornellas Column: "Conjectures on Uncertain Future"]

[FBIS Translated Text] If the government believes that by grouping a bloc of 80 congressmen in Congress it has assured the approval of the constitutional amendment proposal that authorizes Fujimori to a new reelection, it is absolutely mistaken.

Within the current majority bloc — which now groups 71 congressmen with the new inclusion of Dennis Vargas, Enrique Pulgar, and Javier Noriega — there are several congressmen who refuse to join the bloc for reasons of principle. Carlos Ferrero would be one. And among the independent sectors, and those who are close to the government, there are all kinds of congressmen: Francisco Pardo Mesones, for instance, has just said that he would vote for a new presidential term if Fujimori "does things well."

This in fact is the crux of the issue. The reelection proposal submitted by the late Deputy Hector Marisca in 1986 would have availed Alan Garcia nothing, considering how his administration ended. Fujimori still has four years to go. During this time he can improve his achievements or fall into stagnation. Both possibilities are real.

It is unusual, however, that at this moment, six years after assuming his post at government palace, opposition members are passing over to Fujimori's party. Things have been the opposite in the past. During Belaunde's first term in office, his Christian Democratic ally left by the middle, and by the end a sector of his party — headed by Edgardo Seoane and Gustavo Mohme — broke away, moving over to the coupist plot of General Velasco. During his second administration, alliance with the PPC [Popular Christian Party] ended in a split, and in the case of Alan Garcia, the foolish initiative of nationalizing banks suddenly severed his political friendship with the extinct Sode [Solidarity and Democracy] party.

Now just the opposite is taking place. By hook or by crook, people who have not been with the ruling party are now knocking on its doors, including the mayor of La Victoria and the three aforementioned nomad congressmen. And Mayor Alberto Andrade, the alternative personality who is becoming increasingly more popular, according to the polls, claims to be "pro-Fujimori," although he criticizes — and quite reasonably — many of the government's actions.

All this has little or nothing to do with the possible reelection of President Fujimori in the year 2000, obviously. The ruling Change 90-New Majority party obviously has an attraction for many for the simple reason that there is no organized political movement that could compete with it. That is the truth, beyond conjectures or bets on the uncertain future.

## Venezuela

**Venezuela: Envoy Confirms Samper Planning To Visit**

*PA2807161696 Caracas Venezolana de Television Network in Spanish 1530 GMT 25 Jul 96*

[FBIS Translated Text] The visit by Colombian President Ernesto Samper to Venezuela should not affect relations between Venezuela and the United States, Colombian Ambassador Guillermo Gonzalez has said. He made those remarks during the ceremonies organized by the Federal District Governorship and the Libertador Municipality to mark the anniversary of Simon Bolivar's birthday.

The Colombian ambassador took advantage of the opportunity to confirm President Samper will visit our country as part of the visits he will make to France, Bolivia, Ecuador, and Central America. Gonzalez also commented on the recent incident between the countries regarding the Venezuelan Armed Forces' alleged sale of weapons to Colombian narcoguerrillas.

[Begin Gonzalez recording] The truth is that the Colombian Congress... [pauses] In the speech the president delivered, there was no reference to Venezuela. Those who quoted Samper as saying this or that about Venezuela are distorting the truth. [end recording]

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